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State of Illinois

WILLIAM G. STRATTON, Governor



ILLINOIS SAVINGS AND LOAN ACT

1959 Edition

CONRAD F. BECKER,
Director

Department of Financial Institutions

State of Illinois

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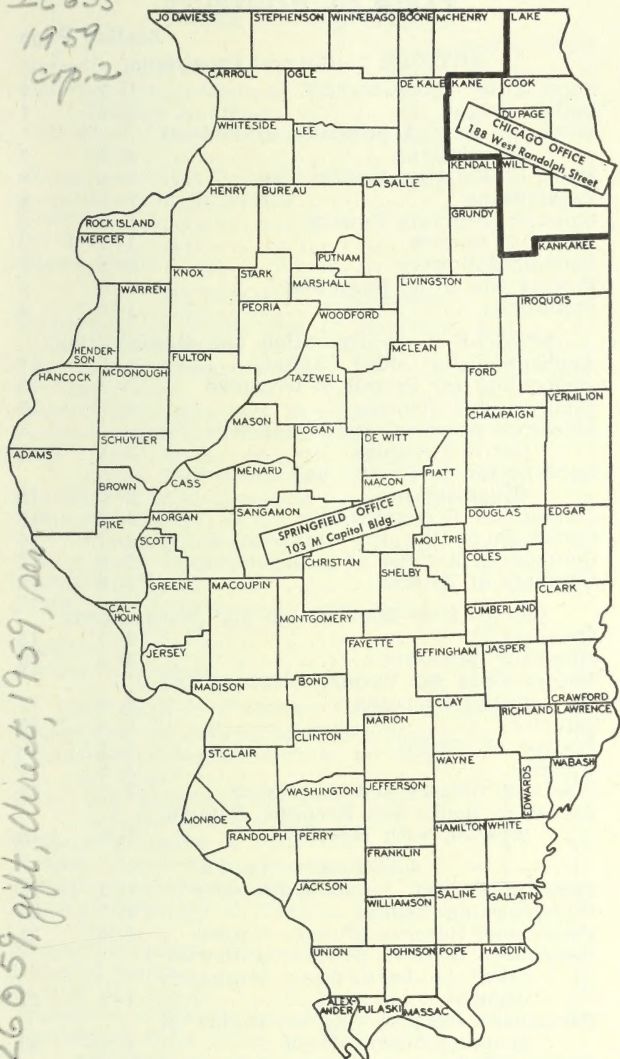
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▲ To provide greater assistance in the administration and supervision of the Savings and Loan Associations, the Director maintains both a Chicago office and Springfield office. Each office serves that part of the State indicated by the division of the State on the map above.

▲ Associations in the Chicago area should direct inquiries to the Director of Financial Institutions, Savings and Loan Division, 188 West Randolph Street, Chicago 1, Illinois. Telephone: Financial 6-8750.

▲ Associations in the Springfield area should direct inquiries to the Director of Financial Institutions, Savings and Loan Division, State Capitol Building, Room 103M, Springfield, Illinois. Telephone: LA keside 7-6611, Extension 5131.

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ILLINOIS SAVINGS AND LOAN ACT

AN ACT to revise and codify the laws in relation to Savings and Loan Associations and to provide penalties for the violation thereof, and to repeal an Act therein named. Approved July 5, 1955.

ARTICLE 1—General Provisions

Section 1-1. Short Title.) This Act shall be known and may be cited as the "Illinois Savings and Loan Act."

Section 1-2. Policy of Act.) The General Assembly has found and declares:

(a) That the savings and loan business, otherwise known as the building, loan, and homestead business, which is within the scope of this Act, has so expanded in recent years, and has become so integrated with the financial institutions of this State and is so important as a method of promoting home ownership and thrift, that such business, to an even greater extent than heretofore, is affected with a public interest and should continue to be supervised as a business affecting the economic security and general welfare of the people of this State;

(b) That such business should be operated only by associations organized and conducted in accordance with the authority provided in this Act;

(c) That the number and minimum size of the associations conducting such business should be controlled in the interest of securely and efficiently serving the needs of the localities in which they operate;

(d) That the public interest requires the promotion and fostering of the savings and loan, or building, loan, and homestead business and the assurance of its financial stability;

(e) That in order to further the policies herein expressed, the provisions of this Act shall be liberally construed to promote and foster the purposes of savings and loan associations.

Section 1-3. Scope of Act; Application to Federal Associations.)

(a) This Act applies to all existing mutual building loan and homestead associations, savings and loan associations, savings associations, building and loan associations, and other similar associations by whatever name called, organized under this or any prior act; and to all foreign associations duly authorized to do business in this State.

(b) Unless Federal laws or regulations provide otherwise, Federal associations and their members shall possess all of the rights, powers, privileges, immunities, and exemptions granted by this Act to associations operating hereunder and to the members thereof.

Section 1-4. Effect on Existing Associations.)
With respect to any existing association:

(a) The by-laws, shares, and contracts of such association shall continue in full force and effect; but the association shall be operated in accordance with the provisions of this Act.

(b) If the association accepts the benefits of, or avails itself of the powers given by, this Act, the association shall be subject to the provisions and requirements of this Act in every particular, as if the association had been organized under this Act.

(c) That portion of the statement of incorporation, charter, or certificate of complete organization of an existing association, which corresponds to the contents of articles of incorporation, as defined in Section 2-8 of this Act, shall be deemed to be the articles of incorporation of such association; and that portion of its statement of incorporation, charter, and certificate of complete organization corresponding to the contents of by-laws, as defined in Section 2-9 of this Act, shall be deemed to be the by-laws of such existing association.

Section 1-5. Prohibitions.)

(a) No person or group of persons, except an association duly incorporated under this Act or a prior act, or a Federal association, or a foreign association duly authorized to do business in this State, shall transact business within the scope of this Act or do any business under any name or title, or circulate or use any advertising or make any representation or give any information to any person, which indicates or reasonably implies the operation of a business which is within the scope of this Act.

(b) A court of competent jurisdiction may issue an injunction to restrain any person from violating or continuing to violate any of the foregoing provisions of this section.

(c) Any person who violates any provision of this section shall be punished by a fine of not more than one thousand dollars (\$1,000.00).

Section 1-6. General Corporate Powers.) An association operating under this Act shall be a body corporate and politic and shall have all of the specific powers conferred by this Act and in addition thereto, the following general powers:

(a) To sue and be sued, complain and defend in its corporate name; and to have a common seal, which it may alter or renew at pleasure;

(b) To obtain and maintain insurance of the association's withdrawable capital by an insurance corporation as defined in this Act;

(c) To become a member of a Federal Home Loan Bank, and to have all powers of such a member which are not inconsistent with the provisions of this Act;

(d) To act as a fiscal agent for the United States when duly designated for that purpose, and as such agent to perform such reasonable functions as may be required of it;

(e) To become a member of or deal with any corporation or agency of the United States or the State of Illinois, to the extent that such agency assists in furthering or facilitating the association's purposes or powers, and to that end to purchase stock or securities thereof or deposit money therewith, and to comply with any other conditions of membership or credit;

(f) To make donations in reasonable amounts for the public welfare or for charitable, scientific, religious, or educational purposes;

(g) To adopt and operate reasonable insurance, bonus, and retirement plans for officers and employees;

(h) To reject any application for membership; to retire withdrawable capital by enforced retirement as provided in this Act and the by-laws; and to limit the issuance of or payments on withdrawable capital, subject however to contractual obligations.

Section 1-7. Power to Borrow.)

(a) The board of directors may borrow money for the uses and purposes of the association, and may pledge, mortgage, or otherwise encumber any of its assets in connection therewith; but such borrowing shall not exceed fifty per cent (50%) of the aggregate withdrawal value of the association's withdrawable capital without prior approval of the Director. A subsequent reduction of withdrawable capital shall not affect in any way outstanding obligations for borrowed money.

(b) A debt incurred by the association in violation of this section is not invalid or illegal as to the rights of the lender.

Section 1-8. Incidental Powers.) An association also shall have any power conferred on a corporation by the Business Corporation Act, and any power not prohibited by law, which is reasonably incident to the accomplishment of the express powers conferred upon the association by this Act.

Section 1-9. Powers Not to be Exercised.) No association to which this Act applies shall accept or carry any demand, commercial or checking account.

Section 1-10. Definitions.) The following words and phrases have the following respective definitions for the purpose of this Act, except to the extent that any such word or phrase is specifically qualified by its context:

(a) "Advisory Board": the Illinois State Savings and Loan Advisory Board, as described in the article of this Act concerning Supervision.

(b) "Aggregate withdrawal value": the sum of all payments made on all withdrawable capital accounts of the association and all dividends, and bonuses credited or allocated to such accounts, and all dividends credited to "divided profits" for subsequent crediting to accounts upon maturity; less all withdrawals, retirements, and other proper deductions from accounts and all unpaid charges thereon.

(c) "Association": every association to which this Act applies, as defined in the section concerning Scope of Act.

(d) "Director": The Director of Financial Institutions, or some person authorized by him to act in his stead.

(e) "Community": a city, village, or incorporated town in this State.

(f) "Continuing association": the association which continues to exist after a merger of associations has been effected.

(g) "Federal association": a savings and loan association or savings association operating under the laws and regulations of the United States.

(h) "Fiduciary": a trustee, executor, administrator, guardian, conservator, agent, receiver, trustee in bankruptcy, assignee for creditors, or any holder of a similar position of trust.

(i) "Impaired" or "impairment," with respect to capital: a condition in which the value of the association's assets is less than the aggregate amount of the association's liabilities to creditors, members, and the aggregate value of its withdrawable capital, and the aggregate par value of its permanent reserve capital.

(j) "Insurance corporation": The Federal Savings and Loan Insurance Corporation, or such other instrumentality of or corporation chartered by the United States as hereafter may be established for the purpose of insuring the withdrawable capital of savings and loan associations.

(k) "Insured association": an association the withdrawable capital of which is insured wholly or in part by an insurance corporation.

(l) "Merger": includes consolidation.

(m) "Merging association": an association which plans or effects a merger with one or more other associations, in accordance with the provisions of this Act concerning merger.

(n) "Person": an individual, partnership, joint venture, trust, estate, unincorporated association, or corporation.

(o) "Prior act": any statute of this State which, prior to the effective date of this Act, has governed the formation and operation of associa-

tions of the type described in the section of this Act concerning Scope of Act.

(p) "Profits": as determined by application of proper accounting principles, gross income less the aggregate of operating and real estate expenses, losses actually sustained and not charged to reserves under the provision of this Act, interest paid or accrued on borrowings and non-recurring charges.

(q) "Publication," "publish," or "published": printed in the American language in a newspaper of general circulation published in the community in which the association's business office is located, or if no such newspaper exists in said community, then in the county in which such business office is located. Unless otherwise specified in this Act, publication shall be made once each week for 3 successive weeks.

(r) "Mail" or "mailed," with respect to a writing or notice: deposit in a United States Post office mailing facility, in this State, postage prepaid, correctly addressed to the proper person at his address stated on the association's records or otherwise agreed upon, or if no address has been so established, then to the last known address.

(s) "Total assets": the total value of all loan contracts without deduction for the withdrawal value of any capital accounts of the association held as collateral for loans, and the total value of all other assets of the association, as determined by the application of proper accounting principles.

(t) "Withdrawal value" of a capital account: the sum of all payments made by the holder on the account and all dividends, and bonuses credited or allocated to such account, less all withdrawals, retirements, and other proper deductions therefrom and all unpaid charges thereon. However, "withdrawal value" of a share account which is voluntarily withdrawn by the holder before maturity thereof, does not include any portion of the dividends which, pursuant to the by-laws, have not been credited directly to the account but have been credited to "divided profits" of the association, and which the association is entitled to retain by reason of such voluntary withdrawal; and does not include any portion of the bonus reserve which may be retained. (As amended by act approved July 11, 1957.)

ARTICLE 2—Incorporation and Organization.

Section 2-1. Applicants and Initial Capital.) Any five or more adult individuals, residents of this State, may apply for a permit to organize an association under this Act. The minimum initial capital which an association must have shall be determined by the population of the community in which the association's business office is to be located, in accordance with the following table:

Population		Minimum
More than	Not more than	Capital
—	5,000	\$ 15,000
5,000	10,000	25,000
10,000	50,000	50,000
50,000	—	200,000

If the association's business office is to be located in an unincorporated area more than five miles from the limits of any community, then the required minimum capital shall be that for a community of five thousand (5,000) population or less; otherwise, the required capital shall be that of the community to which it is adjacent, or if near several communities, that of the community with the highest population classification in the above schedule. Minimum capital to be paid in may consist of withdrawable capital and permanent reserve capital as provided in this Act. If the capital of the association to be organized includes permanent reserve capital, the amount of minimum initial permanent reserve capital shall be not less than twenty-five thousand dollars (\$25,000), and not less than fifty thousand dollars (\$50,000) if the association is to be located in a county with more than five hundred thousand (500,000) population. (As amended by act approved July 11, 1957.)

Section 2-2. Application for Permit to Organize.) The application for a permit to organize an association shall be addressed to the Director in such form as he shall provide; shall be in duplicate, personally signed by each applicant and acknowledged by each applicant in the manner provided for the acknowledgment of deeds. The applicants shall submit with their application statements, exhibits, maps, and other data, which data shall be sufficiently detailed and comprehensive to enable the Director to pass upon the application.

Section 2-3. Findings and Hearing.) If the Director does not deny the application on the basis of the data submitted by the applicants and any other information in his possession, the applicants shall publish a notice of intention to organize in such form as the Director shall prescribe. The Director may hear evidence to determine his findings at any time prior to the issuance of a permit to organize.

Section 2-4 Director's Approval and Issuance of Permit to Organize.) The Director shall not approve the application and issue a permit to organize unless he shall find:

(a) That a need exists for an association, and that the public convenience and advantage will be promoted by the proposed association, in the community or area of operation stated in the application;

(b) That the proposed capital meets the requirements of this Act;

(c) That the general character of the proposed management is such as to assure reasonable probability of the success of the association; and further to assure the success of the association the Director

may require as a condition in the permit that insurance of withdrawable capital shall be effective prior to the issuance of a Certificate of Complete Organization;

(d) That the name of the proposed association is not the same as, or deceptively similar to, the name of any other association in the community or area of operation; and no such name shall contain the words "guaranty", "Guarantee", "insured", or any other word the meaning of which might imply that the association is insured by the insurance corporation unless in fact such insurance or a commitment to insure has been obtained, and such prohibition shall likewise extend to an association amending its articles of incorporation to change its name;

(e) That such association can be established without undue injury to properly conducted existing associations. (As amended by act approved July 9, 1959.)

Section 2-5. Subscription to Capital and Temporary Organization.) Upon receipt of the permit to organize an association, the applicants shall constitute the organization committee and shall perfect a temporary organization by electing a chairman, vice-chairman, and a secretary, who shall act as the temporary officers of such association until their successors are duly elected and qualified. Such temporary officers thereupon shall proceed to:

(a) Secure subscriptions for the required amount of capital in form and manner approved by the Director; and

(b) Call a meeting of subscribers, who shall adopt articles of incorporation and elect directors to serve until the first annual meeting of the association and until their successors are elected and qualified.

Section 2-6. Completion of Organization.) The directors so elected shall proceed to:

(a) Organize as a board and qualify as directors;

(b) Adopt by-laws;

(c) Elect officers pursuant to the by-laws;

(d) Collect subscription to the required capital, but only after the persons designated to collect such subscriptions have been bonded as provided in this article;

(e) Take such other action as may be necessary to complete the organization;

(f) Report the completion of the organization to the Director. Unless such report is made to the Director within 6 months after the date of the permit to organize, the permit shall be deemed revoked and any subscriptions collected shall be refunded unless the Director, upon good cause shown, shall extend the time for filing such report for a fixed period which shall not exceed 6 months. (As amended by act approved July 11, 1957.)

Section 2-7. Certificate of Complete Organization.) When the board of directors has organized as provided in this Act and the report of organization has been filed with the Director, he shall make a thorough examination into the affairs of the association, and if he approves the articles of incorporation and is satisfied that all the requirements of this Act have been complied with, and that no intervening circumstance has occurred to change the Director's findings made pursuant to this Act, upon payment into the Department of Financial Institutions of the reasonable expenses of such examination as determined by the Director, he shall issue a certificate of complete organization authorizing the association to commence business. Such certificate together with the articles of incorporation shall be recorded by filing the same for record in the office of the recorder of deeds in the county in which the association is located. Upon such recording the association shall be fully organized and may commence to do business. Such certificate of complete organization and articles of incorporation, or duly certified copies of the recording thereof, shall be conclusive evidence except against the State that the association has complied properly with all requirement for organization, has been duly incorporated, and is authorized to do business under the provisions of this act.

Section 2-8. Contents of Articles of Incorporation.)

(a) The articles of incorporation shall set forth:

(1) The name of the association.
(2) The initial location of the business office.

(3) The duration of existence, which is perpetual unless otherwise specified.

(4) The number of directors, not less than five (5).

(5) The authorization, if any, to issue withdrawable shares, the aggregate amount of which may be unlimited.

(6) The authorization, if any, to issue permanent reserve shares, the aggregate number thereof, and the par value per share which shall not be less than one dollar (\$1.00).

(7) The date of the annual meeting of the members which shall be not more than sixty (60) days after the close of the association's fiscal year.

(8) The quorum required for action of members if a quorum other than that specified in this Act is desired.

(9) Any other provision, not inconsistent with law, which the subscribers or members may desire, for the internal regulation of the affairs of the association.

(b) The articles need not set forth any of the powers which this Act confers. (As amended by act approved July 11, 1957.)

Section 2-9. Contents of By-laws.)

(a) The by-laws of the association shall provide for the following matters consistent with any applicable provisions of this Act:

(1) The minimum frequency of directors' meetings, which shall be at least monthly.

(2) The titles and duties of the officers.

(3) The officers authorized, or who may be authorized, by the directors to execute instruments.

(4) A description of the corporate seal.

(5) The fiscal year of the association.

(6) The location of the business office.

(b) Such by-laws may provide also for any or all of the following matters, among others, consistent with any applicable provisions of this Act:

(1) The method of calling special meetings of the members; requirements for giving notice of meetings of members in addition to the notice prescribed by this Act; and methods of nominating directors and other voting and election procedures.

(2) The method of determining the record date for voting, dividend, and other purposes.

(3) The procedure for the transfer of ownership of capital and for the enforcement of charges and liens.

(4) The plan or plans under which withdrawable capital is to be issued; the classes into which it may be divided; and the characteristics of each class as to time of issuance, times and amounts of payments to be made, classification for dividends purposes, and such other terms as are permitted by the Act.

(5) The method by which the directors may enforce retirement of unpledged withdrawable capital.

(6) The frequency with which profits of the association shall be apportioned and the methods of apportionment.

(7) Provision for establishment of executive, loan, investment, and appraisal committees, and such other special or standing committees as may be desirable.

(c) The Director may publish one or more standard forms of by-laws conforming to the provisions of this Act which may be adopted by associations.

ARTICLE 3—Membership and Management.

Section 3-1. Members.)

(a) The membership of an association consists of:

(1) Every holder of a share account, or of one or more withdrawable or permanent reserve shares, issued by the association; and

(2) Every borrower from the association, as long as his loan remains unpaid and he remains liable to the association for the payment thereof; and every obligor of an investment made by the association under the provisions of the section of this Act concerning Investments in Obligations of Members; each of which members shall be known as a borrowing member.

(b) Each joint ownership and each joint obligation shall constitute one membership. (As amended by act approved July 11, 1957.)

Section 3-2. Members' Meetings.)

(a) Each annual meeting of the members shall be held at the time specified in the articles of incorporation; but the failure to hold an annual meeting at the time so specified shall not work a forfeiture or dissolution of the association. The board of directors, or the holders of not less than twenty per cent (20%) of the outstanding permanent reserve shares or of the withdrawal value of all withdrawable capital of the association, or such other person or persons as may be designated by the by-laws, may call a special meeting of the members. Every annual or special meeting shall be held at the business office of the association, or, if the space therein available for such meeting is inadequate, in such other place within the same county as shall be specifically designated in the notice of such meeting. Notice of an annual meeting shall be published once not less than ten (10) days nor more than forty (40) days before the date of the meeting. However, for any special meeting, or for any annual meeting which is to consider any proposition the affirmative action on which requires a two-thirds vote as set forth in this Act, the notice shall be by mail. Published or mailed notice shall state the place, day, hour and purpose of the meeting.

(b) A quorum at any meeting of the members shall consist of the members present in person or represented by proxy, who are entitled to cast a majority of the total number of votes which all members of the association are entitled to cast at such meeting; except that the articles of incorporation may specify some other quorum requirement, but not less than one-third of such total number of votes. Any meeting, including one at which a quorum is not present, may be adjourned by majority vote to a specified date without further notice.

(c) Voting at a meeting may be either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

(d) In the determination of all questions requiring ascertainment of the members entitled to

vote and of the number of outstanding shares, the following rules shall apply:

(1) The date of determination shall be as provided in the section of this Act concerning Record Date for Voting, Dividend and Other Purposes.

(2) Each person holding one or more withdrawable share accounts shall have the vote of one share for each one hundred dollars of the aggregate withdrawal value of such accounts and shall have the vote of one share for any fraction of one hundred dollars.

(3) Each holder of permanent reserve shares shall have one vote for each permanent reserve share which he holds.

(4) Each borrowing member as such shall have the vote of one share in addition to any vote which he may have otherwise.

(5) Shares owned by the association shall not be counted or voted. (As amended by act approved July 11, 1957.)

Section 3-3. Record Date for Voting, Dividend and Other Purposes.) For the purpose of determining the holders of shares, capital accounts, and membership entitled to notice of or to vote at any meeting of the members, or in order to make a determination of the members, holders, or other persons for any other proper purpose, the by-laws may provide for a record date, not less than ten (10) days nor more than forty (40) days before the meeting, or other event or transaction with regard to which the determination is to be made; and such determination shall be made as of the close of business on such record date. If the by-laws do not provide for a record date, the board of directors may fix such a date for each such determination, within the time stated above; and if the board of directors shall fail to so fix a date, the record date for a meeting shall be the date on which the first notice of meeting is given. Shares or share accounts withdrawn or retired after such record date shall not be voted or counted in determining the number of shares outstanding. This section shall be applicable to the dividend payments on permanent reserve capital; but dividends on withdrawable capital shall be governed by the section of this Act concerning Dividends. (As amended by act approved July 11, 1957.)

Section 3-4. Directors.) The business and affairs of the association shall be exercised by its board of directors, which shall be elected, and shall exercise its powers, as follows:

(a) The board of directors shall consist of the number of directors fixed by the articles of incorporation but shall be not less than 5; all directors shall be bonafide members of the association; and at all times at least two-thirds of the directors shall be residents of this State.

(b) Directors shall be elected for one year and shall serve until their successors are elected and

qualified. In all elections of directors cumulative voting shall be permitted as provided in the Constitution of this State.

(c) In the event of a vacancy on the board of directors from any cause, the remaining directors shall have full power and authority to continue the management of the association. Each vacancy may be filled by election at a special meeting of the members.

(d) The board of directors shall hold regular meetings as provided in the by-laws. Special meetings may be held as provided in the by-laws, and also upon call by the Director after not less than 12 hours' notice by personal or mail service to each director.

(e) A majority of the board of directors shall constitute a quorum for the transaction of business unless a greater number is required in the by-laws. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by law, the articles of incorporation, or the by-laws.

(f) The board of directors shall have all powers which are necessary and proper to enable the association to accomplish its purposes.

(g) The board of directors may adopt or amend by-laws, but no by-law shall be effective until it has been submitted to and approved by the Director as being in conformity with this Act. Each adopted amendment shall be subject to the same inquiry by the Director as the corresponding provision in the original by-laws of the association except as provided in sub-section (h).

(h) If a by-law amendment provides for a change in the location of an association's business office to a location which is more than one mile distant from the existing location, the Director shall not approve the amendment unless he finds that (1) a need exists for an association in the proposed new location; (2) the capital of the association meets the minimum initial capital requirements of this Act with respect to the new location; (3) the proposed change of location can be effected without undue injury to other properly conducted associations; and (4) notice of the association's proposal to change location has been published at least once in the community of the proposed new location. The Director may hear evidence to determine his findings at any time prior to his approval or disapproval of the amendment; and he may require, as a condition of his approval, ratification of the amendment by the vote (at a meeting of the members) or the written consent of the members of the association who are entitled to cast a majority of the total number of votes which all members of the association are entitled to cast. (As amended by act approved July 11, 1957.)

Section 3-5. Waiver of Notice.) Whenever notice is required to be given under this Act, a waiver thereof in writing signed by the person or persons entitled to said notice, shall be deemed equivalent thereto.

Section 3-6. Officers.)

(a) The officers of an association shall consist of a president, one or more vice presidents, secretary, treasurer, and such other officers as the by-laws shall provide, to be elected by the directors; if the by-laws so provide, any two or more offices may be held by the same person, except that one person shall not hold the offices of president and secretary. The duties and powers of the secretary set forth in this Act may be exercised by any other officer designated by the board of directors.

(b) The existence of an association shall not terminate by reason of the failure to elect officers at the time mentioned in the by-laws, and each officer shall hold his office until his successor is elected and qualified.

Section 3-7. Bonds of Officers and Employees.)

(a) Every person appointed or elected to any position requiring the receipt, payment, management or use of money belonging to an association, or whose duties permit him to have access to or custody of any of its money or securities or whose duties permit him regularly to make entries in the books or other records of the association, before assuming his duties shall become bonded in some fidelity insurance company licensed to do business in this State. Each such bond shall be on a form or forms as the Director shall require and in such amount as the board of directors shall fix and approve.

(b) Nothing contained herein shall preclude the Director from proceeding against an association as provided in this Act should he believe that it is being conducted in an unsafe manner in that the form or amount of bonds so fixed and approved by the board of directors is inadequate to give reasonable protection to the association.

Section 3-8. Access to Books and Records; Communication with Members.)

(a) Every member or holder of capital shall have the right to inspect such books and records of the association as pertain to his account. Otherwise, the right of inspection and examination of the books and records shall be limited to the Director, as provided in this Act, and to any Federal instrumentality or agency authorized to inspect or examine the books and records of an insured association; and no other person shall have access to the books and records except upon express authority of the board of directors, or shall be entitled to a list of the members.

(b) However, if any member desires to communicate with the other members of the association with reference to any question pending or to be pre-

sented at a meeting of the members, the association shall give him upon request a statement of the approximate number of members entitled to vote at such meeting and an estimate of the cost of preparing and mailing such communication. The requesting member then shall submit the communication to the Director who, if he finds it to be appropriate and truthful, shall direct that it be prepared and mailed to the members, upon the requesting member's payment or adequate provision for payment of the expenses of such preparation and mailing.

ARTICLE 4—Capital.

Section 4-1. Types of Capital; Personal Property.)

(a) The capital of an association may be represented by withdrawable capital accounts (shares and share accounts) or permanent reserve shares or both, as provided in this article and as authorized by the articles of incorporation.

(b) All shares and capital accounts shall be personal property in the hands of their holders, transferable as provided in this Act and the by-laws of the association. (As amended by act approved July 11, 1957.)

Section 4-2. Withdrawable Capital.) Withdrawable capital accounts shall be:

(a) Withdrawable and subject to enforced retirement as provided in this article. Nothing in this act shall prevent the withdrawal of funds from an association by nonnegotiable order.

(b) Entitled to dividends as provided in this article;

(c) Nonassessable for either debts or losses of the association;

(d) Issued on such plan or plans of payment therefor or thereon and in such series or classes as the by-laws may provide, which plan or plans of payment may include:

(1) Regular installment plan: agreed weekly or monthly payments, with dividends credited to or in behalf of the account until the ultimate value agreed upon in the subscription is reached;

(2) Full paid plan: one single payment of one hundred dollars (\$100) per unit, with dividends payable in cash unless by agreement credited to the account;

(3) Pre-paid plan: one single payment in such amount per unit as is set forth in the by-laws, with dividends credited to such account until the ultimate value of one hundred dollars (\$100) per unit is reached;

(4) Optional plan: payments in such amount or amounts and at such times as the holder

may elect, with dividends credited to such account unless by agreement payable in cash;

(5) Other plans: any other plan of payment which the Director may approve as conforming to sound savings and loan practice.

Section 4-3. Permanent Reserve Shares — Nature.) Permanent reserve shares shall constitute a secondary reserve out of which losses shall be paid after all other available reserves have been exhausted, and shall have a par value of one dollar (\$1.00) each or such greater amount as the articles of incorporation may prescribe; and such shares shall be:

(a) Nonwithdrawable, except as provided in the section of this article on Retirement or Reduction of Permanent Reserve Capital, until all liabilities of the association have been satisfied in full, including payment of the withdrawal value of all other types or classes of capital.

(b) Entitled to dividends only as provided in the section of this article concerning Dividends.

(c) Issued only upon cash payment of not less than the par value thereof, or in exchange for the withdrawal value of withdrawable capital accounts, or in connection with a merger, sale of all assets, or conversion, or as stock dividends as provided in the section of this article on Dividends. (As amended by act approved July 11, 1957.)

Section 4-4. Permanent Reserve Shares—Authorization of Issuance; Minimum Amount.)

(a) An association may provide for the issuance of permanent reserve shares, either by its original articles of incorporation or by an amendment thereto.

(b) The aggregate par value of the initial issue of permanent reserve shares shall be not less than the minimum initial permanent reserve capital which the association, if it were being organized, would be required to have under the provisions of the section of this Act concerning Applicants and Initial Capital; and also shall not be less than the amount computed by adding 3% of the first \$5,000,000 the aggregate withdrawal value of the association's withdrawable capital, 2% of the next \$2,500,000 of such capital, and 1% of any excess of such capital over \$7,500,000.

(c) Any plan for the issuance of permanent reserve shares shall be subject to the approval of the Director as being equitable and in conformity with the provisions of this Act, and the rules and regulations of the Director pertaining thereto. (As amended by act approved July 11, 1957.)

Section 4-5. Permanent Reserve Shares—Rights of Existing Shareholders.) When an association al-

ready in operation amends its articles of incorporation to authorize the issuance of permanent reserve shares:

(a) The association shall mail notice to each shareholder who was entitled to vote at the meeting at which the amendment was adopted, giving him the prior right for at least sixty (60) days after the date of mailing such notice, to subscribe to the initial issue of permanent reserve shares, in the same proportion which the withdrawal value of such holder's share account bears to the aggregate withdrawal value of all withdrawable share accounts in the association. Such rights to subscribe shall be transferable. No fraction of an original permanent reserve share need be issued, but in such case fractional subscription rights may be combined to authorize the subscription to one or more whole permanent reserve shares. Fractional subscription rights need not be issued for an account the withdrawal value of which is less than ten dollars (\$10.00).

(b) Unless other provision is made with respect to reserves and undivided profits, as authorized by sub-section (f) of this section, the board of directors shall determine, as of the day prior to the effective date of the amendment, the total amount of loss reserves, undivided profits, and unallocated reserves after making allowances for accrued dividends and expenses, losses not provided for, and such similar items as are chargeable against the income of the association since the last previous apportionment date. The amount so fixed shall constitute a segregated surplus of the association and may be retained in, or allocated to, such reserve accounts, undivided profits accounts, or surplus accounts as may be lawful; and other earnings of the association accruing after the effective date may be allocated to said segregated surplus and an equal amount then may be transferred to any other unsegregated account.

(c) Such segregated surplus shall be available for losses from the depreciation of securities or otherwise, except that any loss resulting from operations, including loans and investments made or purchased after the effective date of the amendment, shall be charged first to loss reserves and undivided profits created after such date until the same are exhausted.

(d) If the association merges with another as provided in this Act, the balance of such segregated surplus shall continue to be held in a segregated account or accounts for the same use and disposition as though no merger had occurred.

(e) If the association liquidates or effects a sale of all or substantially all of its assets the balance of such segregated surplus shall be distributed to each holder of its capital in the proportion that the amount of his account bears to the total capital.

(f) In lieu of the establishment of a segregated surplus as provided in this section, the plan

for the issuance of permanent reserve shares may include such other provisions with respect to the surplus, reserves and undivided profits of the association as may be approved by the vote (at a meeting of the members) or the written consent of the members of the association who are entitled to cast two-thirds (2/3) or more of the total number of votes which all members of the association are entitled to cast, and in such case the surplus, reserves and undivided profits shall be retained and disposed of in accordance with such plan. (As amended by act approved July 11, 1957.)

Section 4-6. Permanent Reserve Shares—Advertisement; Sale; Collection of Subscriptions.)

(a) All prospectuses and advertising matter regarding the subscription for permanent reserve shares shall include a statement to the effect that such permanent reserve shares are not insured.

(b) No association shall pay to any person any commission or other compensation for obtaining any subscription to or sale of permanent reserve shares.

(c) The board of directors shall establish a separate account to receive all funds paid in for permanent reserve shares, and shall maintain such account until further action is authorized as follows:

(1) When the aggregate amount of such funds equals or exceeds the amount of the minimum initial permanent reserve capital which the association must obtain, and either the board of directors has decided by resolution to proceed under the permanent reserve share plan, or one year has elapsed from the date on which the issuance of permanent reserve shares was authorized and the board has taken no action, then the separate account may be terminated and the funds may be transferred to the association's general account.

(2) If the aggregate amount of such funds fails to reach the amount of the minimum initial permanent reserve capital which the association must obtain and one year has elapsed from the date on which the issuance of permanent reserve shares was authorized; or if the board of directors, within such one year period, has decided by resolution to abandon the permanent reserve share plan; then the funds in the separate account shall be returned to the respective subscribers and shall not become a liability of the association or its officers or directors. (As amended by act approved July 11, 1957.)

Section 4-7. Retirement or Reduction of Permanent Reserve Capital.)

(a) The board of directors of an association operating with permanent reserve capital may propose an amendment to the articles of incorporation providing for the retirement of all of the permanent reserve capital, and a detailed plan for effectuating such amendment. The resulting capital of the association shall be not less than the minimum initial

capital which the association, if it were being organized would be required to have under the provisions of this Act concerning Applicants and Initial Capital. The proposal shall be submitted to the Director for his approval.

(b) If the Director approves the proposal, the association's board of directors may request in writing an appraisal of the value of the permanent reserve shares; and the Director then shall cause such an appraisal to be made, allowing proper credit to such shares from the association's segregated surplus, if any exists, and from other reserves and undivided profits. The value of the permanent reserve shares so determined may be considered in the further proceedings under this section.

(c) The proposal then may be submitted to the members at an annual or special meeting. It shall be adopted upon receiving in the affirmative the votes of the holders of two-thirds or more of the outstanding permanent reserve shares, and also two-thirds or more of the total number of votes which all other members of the association are entitled to cast thereon. The proposal shall become effective upon completion of the procedure provided in this Act for the amendment of articles of incorporation.

(d) An association may amend its articles of incorporation, in accordance with the procedure provided in this Act for such amendments, to reduce its permanent reserve capital, but in no event to an amount which is less than the minimum permanent reserve capital which the association would be required by this Act to issue if it were newly authorized to issue permanent reserve capital. (As amended by act approved July 11, 1957.)

Section 4-8. Issuance, Delivery, and Transfer of Certificates and Account Books.)

(a) Every capital account shall be evidenced by one or more appropriate certificates; and either such certificates or an account book, or both, shall be delivered to the holder of such account. The wording, type, and form of the certificates and account books issued by an association shall be subject to the approval of the Director.

(b) The holder of a withdrawable capital account may transfer his rights therein absolutely or conditionally to any other person eligible to hold the same, by written assignment accompanied by delivery of the appropriate certificate or account book; but notwithstanding the effectiveness of such a transfer between the parties thereto, the association may treat the holder of record as the owner of the account for payment, voting, and all other purposes until such assignment and any accompanying certificate or account book have been received by the association with a request for the transfer on the association's records.

(c) Withdrawable capital certificates, account books, and any other evidences of membership shall

be nonnegotiable and not subject to the Uniform Stock Transfer Act. Permanent reserve share certificates shall be subject to the provisions of the Uniform Stock Transfer Act.

(d) All withdrawable capital certificates and account books, delivered to the holders as prescribed by this article, shall be subject to attachment and execution as provided by the laws of this State, and the association shall not be subject to garnishment proceedings concerning any capital account, except with respect to a certificate or account book in the association's possession, and when

(1) Neither a certificate nor an account book has been delivered to the holder as required by this section, or

(2) The certificate and account book (or either of them if only one has been delivered) have been returned to the association's possession.

(e) If the holder of a withdrawable capital account, or the personal representative of any such person, shall file with the association an affidavit to the effect that his account book or certificate has been lost or destroyed, and that such account book or certificate has not been pledged or assigned either in whole or in part, then such association may issue a substitute account book or certificate in the name of such holder, with a statement therein that such account book or certificate is issued in lieu of the one lost or destroyed. The association shall not be liable thereafter with respect to the original account book or certificate; but the board of directors may require a bond in sufficient amount to indemnify the association against any loss which might result from the issuance of such substitute account book or certificate. (As amended by act approved July 11, 1957.)

Section 4-9. Who May Hold Capital and Membership.) Withdrawable capital accounts, permanent reserve shares, and membership in an association, may be held:

(a) By any individual in his own right, regardless of his age or marital status, or by two or more of such individuals;

(b) By a fiduciary, when authorized by law;

(c) By a government or governmental instrumentality when authorized by law;

(d) By any corporation or other person as defined in this act when not prohibited by law. (As amended by act approved July 11, 1957.)

Section 4-10. Joint Account; Trust Account; Payment on Death Account.)

(a) If two or more persons opening or holding a withdrawable capital account shall execute a written agreement with the association providing that the account shall be payable to any or the survivor of them, the account, and any balance thereof

which exists from time to time, shall be held by them as joint owners with right of survivorship and, unless otherwise agreed, any payment by the association to any of such persons shall be a complete discharge of the association's obligation as to the amount so paid.

(b) If one or more persons opening or holding a withdrawable capital account shall execute a written agreement with the association providing that the account shall be held in the name of such person or persons as trustees for one or more persons designated as beneficiaries, the account and any balance thereof which exists from time to time, shall be held as a trust account and unless otherwise agreed between the trustees and the association:

(1) Any such trustee during his lifetime may change any of the designated beneficiaries by a written direction accepted by the association; and

(2) Any such trustee may withdraw or receive payment in cash or check payable to his personal order and any payment or withdrawal shall constitute a revocation of the agreement as to the amount withdrawn; and

(3) Upon the death of the last surviving trustee the person or persons designated as beneficiaries who are living at the death of the last surviving trustee shall be the holders of the account (as joint owners with right of survivorship if more than one) and any payment to the holder or any of such holders shall be a complete discharge of the association's obligation as to the amount so paid.

(c) If a person opening or holding a withdrawable capital account shall execute a written agreement with the association providing that on the death of the person named as holder, the account shall be paid to or held by another person or persons, the account, and any balance thereof which exists from time to time, shall be held as a payment on death account and unless otherwise agreed between the persons opening the account and the association:

(1) Upon the death of the holder of the account, the person or persons designated by him and who have survived him shall be the owners of the account (as joint owners with right of survivorship if more than one) and any payment made by the association to any of such persons shall be a complete discharge of the association's obligation as to the amount paid; and

(2) The person to whom such account is issued may change during his lifetime the designation of any of the persons who are to be holders at his death, by a written direction accepted by the association; and

(3) The person to whom such account is issued may withdraw or receive payment and any payment made by the association shall be a complete discharge as to the amount paid.

(d) Whenever in any of the above situations, none of the beneficiaries of a trust account and none of the persons designated to hold on death in a payment on death account, survive the last trustee or person to whom the payment on death account is issued, the account, and any balance thereof which exists from time to time, shall be held by the trustee or holder of the account in his own right, unless it is otherwise agreed.

(e) No addition to any account, nor withdrawal, payment, revocation, or change of beneficiary or payee shall affect the nature of the account as a joint account with right to survivorship, trust account, or payment on death account.

Section 4-11. Effect of Payment to Minor or Fiduciary.) Unless the written agreement provides otherwise, or unless the association has had written notice of the terms under which a fiduciary holds a withdrawable capital account, the association may pay the value thereof and dividends thereon:

(a) To any minor who is the holder of such withdrawable capital account;

(b) To such fiduciary who is the holder of such account without becoming liable to any beneficiary for such payment.

In each of the foregoing instances the receipt or acquittance of the person or persons to whom payment is made in accordance with the provisions of this section shall be a complete discharge of the association's obligation as to the amount so paid.

Section 4-12. Payment on Incompetency or Death of Holder in His Own Right of Withdrawable Capital.)

(a) If the holder in his own right of a withdrawable capital account becomes incompetent and adjudication thereof has been made by a court of competent jurisdiction, then the association may pay the value of such withdrawable account and dividends thereon:

(1) To the conservator of such holder in his own right upon his appointment and qualification;

(2) In the case of small estates as defined in the Probate Act where the appointment of a conservator is unnecessary, then to the persons entitled thereto in accordance with the provisions of the Probate Act.

Until the association has actual knowledge that such holder has been adjudicated incompetent, it may pay to him personally and his receipt or acquittance therefor shall be a complete discharge of the association as to the amount so paid.

(b) Upon the death of a holder in his own right of a withdrawable capital account the association upon receipt of proper inheritance tax waivers may pay the value thereof and dividends thereon:

(1) To the personal representative of such deceased holder if and when qualified, in the manner provided in this Act for the voluntary withdrawal of accounts generally.

(2) In the case of small estates as defined in the Probate Act where no personal representative is appointed, then to the persons entitled thereto in accordance with the provisions of the Probate Act.

(3) After one year from the date of decedent's death, where no personal representative has been appointed and no action has been taken to obtain payment as in the case of small estates under the Probate Act, the association in its discretion may make payment to the surviving spouse or next of kin of the holder or other persons entitled thereto as in the case of small estates as provided in the Probate Act; and the association shall not become liable to any personal representative of the decedent thereafter appointed, but the directors may require a bond to indemnify the association against loss by reason of such payment.

Section 4-13. Voluntary Withdrawal of Capital Accounts.)

(a) A holder of withdrawable capital may make application for withdrawal of, and the association may pay, all or any part of the withdrawal value thereof at any time.

(b) If the association has insufficient funds in the treasury and from current receipts to pay all matured accounts and applications for withdrawal, within 30 days after such accounts mature or payment is requested, then the board of directors shall provide by resolution:

(1) The amount of money available in each calendar month to pay maturities and withdrawals, in accordance with safe and required operating procedure; but after making provision for expenses, debts, obligations, and cash dividends on capital accounts, due or to become due, not less than 50% of the remainder of such treasury funds and current receipts shall be made available for the payment of withdrawals and maturities;

(2) For a list of matured capital accounts in order of maturity, and if in the same series, in order of issuance in such series; and also of applications for withdrawals in chronological order of filing. Separate lists may be established for such purposes, in which event the resolution shall provide the proportion of available money which shall be applied to each list;

(3) For a maximum sum, which shall not exceed \$1,000, which may be paid to any one holder at any one time; and if any holder's application for withdrawal or for payment of matured shares exceeds the sum so fixed, then he shall be paid in his turn the sum so fixed, and his application, reduced by such payment, shall be deemed refiled in its order

as if filed on the date of such payment. Such limited payment may be made on a fixed date in each month and such refiling and renumbering, as the case may be, may take place on the same date in each subsequent month as long as any applications remain unpaid;

(4) For a maximum sum, which shall not to exceed \$200, which may be paid on any application for withdrawal or to any one holder of matured shares in any calendar month, regardless of the order of application.

(c) Withdrawable capital pledged as sole security for a loan shall be subject to the withdrawal provisions of this section, but amounts available for payment on the application for withdrawal shall be applied first to the repayment of the loan balance.

(d) Withdrawable capital may be accepted by the association in payment or part payment for any real estate or other assets owned by the association; but if the association has a list of withdrawals or withdrawals and maturities, such sale of assets shall be to the highest bidder, and at least 10 days notice of the proposed sale shall be given by mail to all holders of withdrawable or matured capital whose names appear on the withdrawal or maturity list.

(e) No holder shall have more than one application for withdrawal in effect at any one time; but a holder may cancel his application or reduce the amount thereof at any time as to any amount not yet paid.

(f) The holder of withdrawable capital for which application for withdrawal has been made, does not become a creditor by reason of such application.

(g) The board of directors of any association operating on the serial plan or with regular installment or prepaid shares on which dividends have not been credited directly to the share accounts, may determine by resolution the portion of profits which may be paid to withdrawing members.

(h) An association while operating under this Section may accept additional withdrawable capital from its present shareholders as well as accept new withdrawable capital accounts and such withdrawable capital accounts shall not be subject to the provisions of subsection (b) of this section but shall be subject to withdrawal at will so long as the association is operating under the provisions of subsection (b) of this section. (As amended by act approved July 9, 1959.)

Section 4-14. Maturity of Shares.)

(a) When a regular installment or prepaid share reaches maturity value by reason of payments or dividend credits, or both, all payments thereon by the holder shall cease. The association either shall pay to the holder the maturity value of such share, in accordance with the provisions of this article, or

shall mail a notice to the holder at his last known address as it appears on the association's records, to the effect that he is entitled to receive payment for such share or to transfer the same or such portion thereof as the directors may specify, into other withdrawable capital, and that if he takes neither action within sixty (60) days after the date on which such notice is mailed, the value of such share may be held in a creditor account without interest or dividends, available for the holder upon his application, or the board of directors may transfer such share to another withdrawable account of equivalent value on which dividends shall accrue as on a new account opened on the transfer date.

(b) If the association has insufficient funds to make immediate payment upon the date of maturity of any shares, such shares shall be listed in the order of their respective dates of maturity, and shall be paid in the manner provided in the section of this article concerning Voluntary Withdrawal of Capital Accounts. Shares in the same series maturing on the same date shall be listed, as of such date, in the order in which they were issued in that series. From the date of maturity until payment, dividends shall be apportioned to such matured shares at a rate to be determined by resolution of the board of directors. Dividends so apportioned shall be accumulated to the credit of such shares and shall be paid to the holder at the time when the shares are paid. However, the rate of such dividends shall not exceed the highest rate being currently apportioned to any other shares.

Section 4-15. Enforced Retirement of Withdrawable Capital Accounts.)

(a) The board of directors, when authorized by the by-laws, and in conformity with the provisions of this section and of the by-laws, may retire any withdrawable capital accounts which have not been pledged as security for loans by enforcing the retirement thereof.

(b) A thirty (30) day notice of such enforced retirement shall be given to the holder of an account to be retired, and after the end of such thirty (30) day period, the holder shall not be entitled to further dividends, but shall be paid the full withdrawal value of his account as determined at the last preceding apportionment of profits, plus all payments made since such apportionment, and plus such additional dividends as the board of directors may determine to be equitable and within the earning rate of the association for the period which has elapsed since the last preceding apportionment of profits, but less any unpaid charges. However, all accounts upon which applications for voluntary withdrawal have been received, and all shares which have matured, shall be paid first in accordance with the provisions of this article.

Section 4-16. Authorized Charges Applicable to Members.)

(a) An association may charge an initial mem-

bership fee and a fee for transfer of membership or capital, but no such fee shall exceed twenty-five cents (25c) per share or per one hundred dollars (\$100) of the account.

(b) The association's by-laws may provide for a charge or penalty for the non-payment when due, of agreed payments on capital accounts, and of installments, interest, or premiums on loans; but no such charge or penalty shall exceed the sum of two cents (2c) per dollar of the amount payable in any one month, and no such charge or penalty shall be either compounded or cumulated. However, if a loan has been predicated on a membership entitling the borrowing member to a vote of one share, no such charge or penalty shall exceed the sum of five cents (5c) per month per dollar of the amount payable, or in lieu thereof such further interest charge as may be provided in the loan contract.

(c) All fees, charges, and penalties collected shall be accounted for as a part of the receipts of the association. (As amended by act approved July 11, 1957.)

Section 4-17. Capital Accounts Subject to Liens.) Every withdrawable capital account shall be subject to a lien for the payment of such charges as lawfully may accrue thereon under the provisions of this Act, and the by-laws may prescribe the manner of enforcing such lien; but no member shall be responsible for any losses which the then existing assets of the association shall not be sufficient to satisfy, or for any unpaid installment upon his account which is not yet due under the terms of his subscription.

Section 4-18. Apportionment of Profits.) The board of directors shall apportion the profits of the association, at least annually and as much more often as the by-laws may prescribe; and each apportionment shall be made in accordance with the following procedure:

(a) A proper allocation first shall be made to the contingent reserve and to any other reserve required by the section of this article concerning Reserves.

(b) Additional allocations then may be made to such special reserves as the board of directors may have established in accordance with the section of this article concerning Reserves.

(c) Dividends then may be declared, first on withdrawable shares and share accounts and thereafter on permanent reserve shares, in accordance with the provisions of this Act and the by-laws.

(d) The residue of such profits may be held as "undivided profits", subject to use in the same manner as profits generally; but except upon prior approval by the Director the total amount of "undivided profits" at no time shall exceed 5% of the aggregate withdrawal value of the association's withdrawable capital. (As amended by act approved July 11, 1957.)

Section 4-19. Reserves.)

(a) Each association shall have a contingent reserve to which the board of directors shall allocate such portion of the association's profits as the board may determine; except that whenever the total amount of such reserve is less than seven-and-one-half per cent ($7\frac{1}{2}\%$) of the aggregate withdrawable value of the association's withdrawable capital accounts, the allocation to such reserve upon each apportionment of profits shall be not less than ten per cent (10%) of the profits being apportioned, or such lesser portion as will increase such reserve to the required total amount.

(b) The board of directors may establish and maintain such special reserves as they may deem advisable, to provide for losses or liabilities; the contingent reserve, or any of such special reserves, may be designated as the insurance reserve for an insured association; and losses may be charged to such reserves as the board of directors may determine.

(c) In addition to the foregoing reserves, an association operating under a bonus plan, as authorized by the section of this Act concerning Bonus Plans, shall establish and maintain a bonus reserve in such an amount as will be sufficient to satisfy the obligations of such plan; and any excess amount in said reserve may be transferred from time to time to undivided profits.

Section 4-20. Dividends.)

(a) Subject to the restrictions set forth in this section and the association's by-laws, the board of directors from time to time may determine the rate and amount of dividends to be paid on capital, and for that purpose may establish reasonable classifications of withdrawable capital accounts, based on (1) types or classes of such accounts, or (2) the length of time accounts are continued in effect, or (3) size of initial payments on accounts, or (4) minimum balances of accounts during apportionment periods, or (5) frequency and extent of the activity of accounts, or (6) such other classifications as the Director may approve; and the Director is authorized to prepare model plans of classifications for adoption by associations.

(b) However, the declaration of dividends on capital shall be subject to the following restrictions:

(1) No dividends shall be declared when the total amount of the contingent reserve is less than that required by the section of this Act concerning Reserves, unless the allocation provided by said section has been made.

(2) Regardless of any dividend rate to which any class of withdrawable share account is entitled, by limitation as expressed in the appropriate certificate or account book, or by action of the board prior to the date of the dividend declaration, no dividend shall be declared on such class which exceeds the dividend rate currently declared on with-

drawable share accounts which are unlimited as to participation in dividends.

(3) The rate of dividend allocated to withdrawable share accounts which according to their terms are unlimited as to participation in dividends, shall not exceed by more than 1% the rate of dividends allocated to the class of share accounts which is entitled to the highest limited rate of participation, unless the total withdrawal value of such unlimited accounts is more than 20% of the aggregate withdrawal value of all withdrawable capital of the association, or unless the association has discontinued the issuance of unlimited accounts, or unless unlimited accounts are being offered and made available for issuance without discrimination.

(4) No dividends shall be declared on permanent reserve shares until after payment or provision has been made for all expenses, losses, required reserves, and dividends on withdrawable capital; or at a time when the par value of all the permanent reserve shares outstanding, all undivided profits, and all reserves available for losses, total less than 5% of the aggregate withdrawal value of the association's withdrawable capital, or when the payment of such a dividend would reduce such total amount to less than such 5%. However, a stock dividend may be declared out of undivided profits at any time.

(c) A dividend need not be allocated to any share account, other than a regular installment share account, which has a withdrawal value of less than \$10 on the record date with respect to which the dividend is paid; and no allocation need be made to a share account which by written agreement will be closed within 15 months of the date on which such account is opened.

(d) The board of directors shall determine by resolution the method of calculating the amount of any dividend on withdrawable capital, and the date on which the same is to be declared or credited; but no payment or credit shall be made more than 10 days before the end of any apportionment period. (As amended by act approved July 11, 1957.)

Section 4-21. Bonus Plans.) For the purpose of encouraging thrift, systematic savings, and long term investment, the board of directors may establish by resolution bonus plans for holders of withdrawable capital accounts; and the board then shall transfer from the periodical profits of the association additional amounts to a bonus reserve as provided in the section of this Article concerning Reserves, from which reserve payments to holders complying with such plans shall be paid. Every bonus so paid shall be deemed a premium and shall not be construed as a dividend. The bonus plans shall be in accordance with the following provisions:

(a) The holder shall agree to make regular payments at least monthly, of any predetermined amount, until the payments together with dividends apportioned thereto equal two hundred (200) times

the agreed monthly payment and without a delay of more than sixty (60) days in any payment, without a prepayment of more than twelve (12) months and without making application for withdrawal of all or any part of the account. At the end of the bonus period, the holder shall receive, in addition to the regular monthly payments and dividends apportioned thereto, a bonus at the rate of one per cent (1%) per annum computed on the withdrawal value of the account at each apportionment of profits. However, if the holder shall apply for withdrawal of his account in part or in full or shall fail to meet any and all the other terms of his bonus agreement after such account, including dividends apportioned thereto, has reached:

(1) At least fifty (50) but less than one hundred (100) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive one-fourth ($\frac{1}{4}$) of the bonus allocable to such account;

(2) At least one hundred (100) but less than one hundred fifty (150) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive one-half ($\frac{1}{2}$) of such bonus allocable to such account;

(3) At least one hundred fifty (150) but less than two hundred (200) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive three-fourths ($\frac{3}{4}$) of such bonus allocable to such account.

(b) The holder shall subscribe to a long-term investment plan providing that if he maintains in his account an agreed minimum balance (1) if for a period of four (4) years, he shall be paid a bonus of one-half of one per cent ($\frac{1}{2}\%$) per annum, or (2) if for a period of eight (8) years, he shall be paid a bonus of one per cent (1%) per annum. The plan may state the minimum and maximum balances on which a bonus may be paid.

(c) If the association effects an enforced retirement of an account which is under a bonus plan before the bonus becomes payable according to the plan, the portion of the bonus reserve allocable to the account shall be paid to the holder.

ARTICLE 5—Investments.

Section 5-1. Investment in Obligations of Members.) An association may loan funds to members as follows:

(a) On the security of withdrawable capital accounts, but no such loan shall exceed the withdrawal value of the pledged account;

(b) On the security of real estate:

(1) Of a value, determined in accordance with the section of this Act concerning Appraisals, sufficient to provide good and ample security for the loan; and

(2) With a fee simple title which is un-

encumbered except as permitted in the section of this article concerning Real Estate Encumbrances; or

(3) A leasehold title of not less duration than 14 years beyond the maturity of the loan; and

(4) With the title established by such evidence of title as is consistent with sound lending practices in the locality; and

(5) With the security interest in such real estate evidenced by an appropriate written instrument and the loan evidenced by a note, bond or similar written instrument. For the purposes of this Section a loan on the security of the whole of the beneficial interest in a land trust is a loan on the security of real estate if the title to the land is held by a corporate trustee and if the real estate held in the land trust meets the other requirements of this sub-section.

(c) For the purpose of repair, improvement, rehabilitation, or equipment of real estate. However, any such loans which are not secured, guaranteed, or insured, as provided in this section, (1) shall be limited to \$3,500 each, exclusive of legal and financing charges; (2) shall be repayable over a period of 5 years or less, in substantially equal installments not less frequent than semi-annual; and (3) shall not be made if the resulting aggregate unpaid balances of all of such loans would exceed 20% of the association's total assets;

(d) Through the purchase of loans which at the time of purchase the association could make in accordance with the provisions of this section and by-laws;

(e) Through the purchase of installment contracts for the sale of real estate, and title thereto which is subject to such contracts, but in each instance only if the association at the time of purchase could make a mortgage loan of the same amount and for the same length of time on the security of such real estate;

(f) Through loans guaranteed or insured, wholly or in part, by the United States or any of its instrumentalities, and without regard to the limits in amount and terms otherwise imposed by this article;

(g) On the security of any of the above authorized investments. (As amended by act approved July 9, 1959.)

Section 5-2 Other Investments.) If the board of directors determines at any time that funds are available in excess of the demands and needs of members for loans, maturities, and withdrawals, an association may invest such funds as follows:

(a) In withdrawable capital of any state or Federal Association which is a member of an insurance corporation as defined in this Act;

(b) In participating interests in mortgage loans of a type which the association would be

authorized to make, if the other participants are associations or corporations insured by an instrumentality of the United States, or are instrumentalities of or corporations owned wholly or in part by the United States or this State;

(c) In obligations of or fully guaranteed by the United States; in stocks or obligations of Federal Home Loan Banks; in stocks or obligations of the Federal National Mortgage Association;

(d) In bonds or other direct obligations of or guaranteed as to principal and interest by this State;

(e) In obligations which by the laws of this State are made legal investments for savings and loan associations;

(f) In bonds or other evidences of indebtedness which are direct general obligations of any county, city, town, village, school district, sanitary district, park district, or other political subdivision or municipal corporation of this State, or in bonds or other evidences of indebtedness which are payable from revenues or earnings specifically pledged therefor of a county or adjoining county or a political subdivision or municipal corporation of the county in which the business office of the association is located or an adjoining county, but in no event shall the total amount of such securities of any one maker or obligor exceed 2% of the association's total assets nor shall the aggregate amount of investments under this subsection exceed 15% of such total assets;

(g) With the approval of the Director, in the initial purchase and development, or the purchase or commitment to purchase after completion, of home sites and housing for sale or rental, including (without being limited to) projects for the reconstruction, rehabilitation, or rebuilding of residential properties to meet the minimum standards of health and occupancy prescribed by appropriate local authorities, and the provision of accommodations for retail stores, shops, and other community services which are reasonably incident to such housing projects; or in the shares of a corporation which owns one or more such projects and which is wholly owned by one or more financial institutions whose investments are regulated by the laws of this State or of the United States. The association's aggregate investment under this sub-section shall not exceed 10% of its total assets, and no association shall make an investment of this type unless it has reserves and undivided profits, or permanent reserve capital, totaling at least 5% of the aggregate withdrawal value of the association's withdrawable capital. The Director shall approve the investment only if the association shows:

(1) That the association has adequate assets available for such an investment; and

(2) That the proposed investment does not exceed the reasonable normal value of the property or interest therein; and

(3) That there is a reasonable probability of such investment being profitable; and

(4) That unless the proposed project meets the requirements of paragraph (5) of this Subsection (g), the proposed project does not include the construction of dwellings designed for occupancy by four families or less; except that in the event the home sites or any portion of a project are not sold within a reasonable time after same have been made available for sale (such period of time to be determined upon application to the Director) such project or portion thereof may be further developed as hereinabove provided.

(5) That the proposed project is to be located in an area, including any contiguous area acquired incidental thereto, determined by the Director to be an urban renewal, redevelopment, blighted, conservation area, or any other similar area provided for by the laws of the United States, the State of Illinois or local ordinances for slum clearance, conservation, blighted area redevelopment, urban renewal, or of a similar nature or purpose and in the event of such determination by the Director, the provisions of paragraph (4) of Subsection (g) shall not be applicable.

(6) That all other requirements of this subsection have been met.

Nothing herein contained shall prohibit an association from developing or building on land acquired by it under any other provision of this Act, nor shall an association be prohibited from completing the construction of buildings pursuant to any construction loan contract where the borrower has failed to comply with the terms of such contract; nor shall any amendment to this Subsection (g) have a retroactive effect upon any project initiated prior to the effective date of this amendment as evidenced by any contract, option, or application to the Director in accordance with the terms of this Subsection prior to its amendment, nor to any revision or change in the terms of such application requested by the Director prior to his approval.

(h) In marketable investment securities, but in no event shall the total amount of such securities of any one maker or obligor exceed 2% of the association's total assets, nor shall the aggregate amount of investments under this sub-section exceed 15% of such total assets. As used in this sub-section, the term "marketable investment securities" does not include stocks, but means marketable obligations evidencing indebtedness of any person in the form of bonds, notes, or debentures commonly known as investment securities, and of a type customarily sold on recognized exchanges or traded over the counter.

Section 5-3. Real Estate Encumbrances.)

(a) Real estate is encumbered within the meaning of this article unless the security instrument establishes a first lien upon such real estate.

(b) Real estate is not encumbered within such meaning merely by reason of the existence of (1) instruments reserving rights-of-way, sewer rights, or rights in wells; or (2) building restrictions or other restrictive covenants; or (3) a lease under which

rents or profits are reserved by the owners; or (4) current taxes or assessments not yet payable; or (5) other encumbrances which, in accordance with sound lending practices in the locality, are not regarded as constituting defects in real estate titles.

(c) A loan may be made under this article on real estate which is subject to a prior lien or other encumbrance which is owned by or exists in favor of the association; or to a prior lien the full amount of which is deducted from the amount of the loan and retained by the association to pay such lien, or which is fully provided for in the closing of the loan transaction.

Section 5-4. Lending Plans.) The board of directors may specify the terms on which loans to members will be made, including (but not limited to) the following lending plans:

(a) **Direct Reduction of Principal:** Such plan shall provide for regular payments which will completely amortize the indebtedness, including principal, interest, or interest and premium, advances, and other charges authorized by this Act, with payments to be made in such amount or amounts and at such time or times as may be agreed upon. If the loan is to be repaid on the monthly direct reduction of principal plan, the balance shall be determined monthly, and interest or interest and premium may be charged on the preceding monthly balance at one-twelfth of the annual rate, and added to such balance, together with any advances made by the association; and from such total indebtedness, payments made by the borrower shall be deducted, and such payments shall be applied first to interest or interest and premium. If the loan is being repaid on a direct reduction plan with payments made less often than monthly, but at least semi-annually, interest or interest and premium shall be charged at one-twelfth of the annual rate multiplied by the number of months elapsed since the date of the last payment; and interest or interest and premium on an advance made may be charged from the first day of the month during which the advance was made; or if the advance was made after the fifteenth day of the month, interest or interest and premium may be charged as of the first day of the succeeding month; but such interest or interest and premium shall not be compounded.

(b) **Share Accumulation Plan:** Such plan shall provide for the subscription to shares the matured value of which in even shares shall be not less than the amount of the loan. Interest shall be charged on such loan until the accumulation on the shares, consisting of payments and dividends less charges, if any, authorized by this Act, shall equal the amount loaned, whereupon the shares shall be cancelled against the loan balance, and the loan shall be considered repaid. The plan may provide further for repayment through the application of shares, or cash and shares, as the board of directors may determine.

(c) **Gross Charge and Discount Plan:** Property improvement loans and loans the duration of which is 5 years or less, and the amount of each of which

does not exceed \$3,500, exclusive of legal and financing charges, may be repaid under a gross charge or discount method, but in the event of prior repayment, the balance of the unearned discount or gross charge shall be refunded in the same manner as premiums initially charged on other loans.

(d) **Insured or Guaranteed Loans:** Loans insured or guaranteed wholly or in part by the United States or any instrumentality thereof may be made and repaid in accordance with the applicable Federal law and regulations.

(e) **Straight Mortgage Loans:** Loans of a type which may be made on an installment basis, also may be made and repaid without full amortization; but no such loan shall be made for a term exceeding 5 years, or in an amount exceeding 50% of the appraised value of the security, except that a loan may be made in an amount not exceeding 60% of such value if the term is not more than 3 years, or in an amount not exceeding 80% of such value if the term is not more than 18 months. Interest on such loans shall be payable not less often than semi-annually. No association shall make such straight mortgage loans if the resulting aggregate unpaid balances of all of such loans would exceed 15% of the association's total assets. (As amended by act approved July 9, 1959.)

Section 5-5. General Loan Contract Provisions.)

(a) Each loan, and any agreement for securing the same, shall be evidenced by one or more written instruments, consistent with sound lending practices in the locality; and whenever recording of such an agreement is necessary to establish priority over the claim of any third party, the agreement shall be recorded.

(b) The loan contract terms shall afford full protection to the association, and shall include, among other things, provision for:

(1) The payment of taxes, assessments, other governmental levies, maintenance and repairs, granting the association the right to make payments thereon or for any other item which, if unpaid, would create a lien prior to that of the loan contract;

(2) Adequate insurance to cover the usual risks on the property offered as security for the loan, and in such form, coverage, and amounts and in such company or companies as the board of directors may approve;

(3) The right to prepay the loan in whole or in part at any time, but the association may require payment of not more than six (6) months' advance interest on that part of the aggregate amount of all prepayments on a loan in one year, which exceeds twenty per cent (20%) of the original principal amount of the loan.

(c) The loan contract may provide for:

(1) An assignment of rents;

(2) Life insurance to be assigned as ad-

ditional collateral, in which event the association shall obtain a first lien upon the policy;

(3) A single premium to be paid in advance or deducted from the loan balance, but if the premium exceeds four per cent (4%) and the loan is repaid prior to the expiration of four (4) years from the date of its making, the association shall refund one-fourth of the premium in excess of said four per cent (4%) for each year of the said four (4) years then unexpired;

(4) Additional or future advances to be made at the option of the parties up to a total amount stated in the recorded security instrument;

(5) Regular periodical payments to create a fund in the association to pay when due all taxes, assessments, insurance premiums, ground rents, and other current charges against the real estate security, and the application or crediting of such payments;

(6) Any other covenant or agreement which the association may deem necessary or which is customary in the locality.

(d) If any payment required to be made by the borrower to discharge the performance of any obligation under the loan contract, is not made, or if any fund created for such payment is insufficient to discharge the obligation completely, the association may advance the same and add the required amount to the unpaid balance of the loan as of the first day of the month during which such advance was made, and the advance and interest thereon shall be secured by the security instrument.

(e) The first payment on any regular installment loan other than a construction loan, insured loan, or guaranteed loan, shall begin not later than sixty (60) days after the advance of the loan. The first payment on a loan insured or guaranteed shall be upon terms acceptable to the insuring or guaranteeing agency. The first payment on a construction loan shall be not later than twelve (12) months after the date of the first disbursement.

Section 5-6. Extension and Modification Agreements.)

(a) When the balance of a loan being repaid under the direct reduction of principal plan does not exceed forty per cent (40%) of the value of the security therefor, and the loan has been reduced by periodical payments over a period of not less than three (3) years to the extent that the unpaid balance does not exceed fifty per cent (50%) of the amount originally secured, the board of directors may agree in writing with the borrower that for a period not to exceed three (3) years, no payments need be made on the unpaid principal amount of the loan; and the loan contract and the security instrument shall not be prejudiced by the making of such extension agreement, even if such an extension was not provided for in the loan contract. However, interest or interest and premium, taxes, assessments, insurance premiums, and other charges which the

borrowing member is obligated to pay, shall be paid when due either to or for the benefit of the association. No such extension shall be granted at a time when the association has insufficient funds to pay all withdrawable capital accounts which have matured or have been listed for voluntary withdrawal.

(b) The association at any time may enter into a written agreement with the borrower to modify, in any manner not inconsistent with the provisions of this Act, the terms of a loan as to the amount, time, or method, of the payments to be made, the interest rate, and any other provision of the loan contract; and the loan contract and the security instrument shall not be prejudiced by the making of any such modification, even if such a modification was not provided for in the loan contract.

Section 5-7. Sale, Assignment, and Servicing of Loans and Contracts.)

(a) No association shall engage in the mortgage brokerage business; but any association may sell any loan at any time, in the usual and regular course of business, if the total amount of loans so sold by the association, including such sale, within the calendar year beginning January 1 immediately preceding the date of such sale, does not exceed 20% of the total amount of all loans held by the association at the beginning of such calendar year. All loans sold shall be sold without recourse. The Director may adjust the foregoing limitations upon the sale of loans, upon application showing an emergency need to pay withdrawals, or an emergency need for loans in the community or area of operation in which the association is located, such loans being in greater demand than the association currently is able to meet.

(b) An association may contract to service a loan originally made by the association and later sold, but such a contract shall conform to the pertinent regulations prescribed by the Director, and shall require sufficient compensation to reimburse the association for all expenses incurred under such contract.

(c) An association may sell and assign without recourse any master's certificate of sale, defaulted loan, or defaulted real estate contract, to any person eligible to purchase the same, for an amount not less than the fair cash market value thereof. (As amended by act approved July 9, 1959.)

Section 5-8. Purchase of Real Estate at Forced Sale.) An association may purchase, at any sheriff's or other judicial sale, either public or private, any real estate upon which the association has any mortgage, lien, or other encumbrance, or in which the association has any other interest. The association thereafter may repair, improve, sell, convey, lease, mortgage, exchange, or otherwise dispose of, real estate so acquired, in the best interests of the association, without limitation.

Section 5-9. Purchase of Real Estate for Office and Rental Purposes.) An association may acquire

and hold real estate in fee simple, or leaseholds on which a building or buildings exist or are to be erected, suitable for the transaction of the association's business, and from portions of which, not required for the association's own use, revenue may be derived; or may own all or part of the capital stock, shares, or interest in any corporation, association, or trust, engaged solely in holding all or part of such real estate. However, the amount so invested shall not exceed five per cent (5%) of the association's total assets, unless the Director, upon a proper showing, shall approve a larger amount consistent with the needs of the association's business and its immediate future expansion.

Section 5-10. Usury Laws Inapplicable.) By reason of the cooperative nature of associations operating under this Act, no interest, premium, or interest on such interest or premium, or charge, which may accrue to an association under the provisions of this Act, shall be deemed to be usurious; and the same may be collected in the same manner as other debts in accordance with the laws of this State.

Section 5-11. Prohibited Loans.) No loan shall be made to a majority permanent reserve shareholder, officer, or director of an association issuing permanent reserve shares, either for himself or as agent, or as partner of another, except upon real estate occupied by such shareholder, officer, or director as a homestead, or upon the security of withdrawable capital; nor shall any loan be made by an association to any corporation of which a majority of the stock is owned or controlled individually or collectively by any one or more of the directors, officers, or majority permanent reserve shareholders of such association. (As amended by act approved July 11, 1957.)

Section 5-12. Effect of Unauthorized Investments; Liability of Officers.)

(a) Every loan or other investment made in violation of this Act shall be due and payable according to its terms, and the obligation thereof shall not be impaired.

(b) Every director or officer of an association who knowingly shall violate, participate in, or assent to, or who knowingly shall permit any of the officers or agents of the association to make, investments not authorized by this Act, shall be liable individually for all damage which the association or its members sustain in consequence of such violation.

Section 5-13. Appraisals.)

(a) Every appraisal or reappraisal of property which an association is required to make shall be made as follows:

(1) By an independent qualified appraiser designated by the board of directors; or

(2) By the association's appraisal committee appointed by the board of directors; or

(3) In the case of an insured or guaranteed loan, by any appraiser appointed by any lend-

ing, insuring, or guaranteeing agency of the United States or the State of Illinois, which shall insure or guarantee such loan, wholly or in part.

(b) Each appraisal shall be in writing with a certificate signed by the appraiser or appraisers, stating that he or they have personally examined the described property, setting forth the value of the land, and the nature and value of the improvements, if any; which appraisal shall be filed and preserved by the association.

Section 5-14. Acknowledgments.) No acknowledgment of a deed, mortgage, or other instrument shall be invalid because such acknowledgment was taken before an officer authorized by the laws of this State to acknowledge conveyances, who is also a member, director, employee, or officer of an association which is a party to such deed, mortgage, or other instrument.

ARTICLE 6—Voluntary Corporate Changes.

Section 6-1. Amendment of Articles of Incorporation.) An association may amend its articles of incorporation from time to time, in accordance with the procedure prescribed in this article; but the articles, as amended, shall conform to all legal requirements which pertain to original articles adopted at the time of such amendment. Any number of amendments may be submitted to the members, and voted upon by them, at one meeting.

Section 6-2. Procedure to Amend Articles of Incorporation.) The procedure to effect an amendment of articles of incorporation shall be as follows:

(a) The board of directors shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of the members, which may be an annual or a special meeting.

(b) The proposed amendment, or a summary of the changes to be effected thereby, shall be set forth in the notice of meeting mailed as prescribed in the section of this Act concerning Members' Meetings.

(c) The proposed amendment will be adopted upon receiving, in the affirmative, two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast, except that an amendment effecting a retirement of all permanent reserve capital must receive the vote specified in the section of this Act concerning Retirement or Reduction of Permanent Reserve Capital. A report of proceedings, verified by the president or a vice-president and attested by the secretary and setting forth the notice given and time of mailing thereof, the amendment adopted, the vote thereon, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed promptly with the Director.

(d) Each adopted amendment shall be subject to the same inquiry by the Director as the corresponding provision in original articles of incor-

poration, including (but not limited to) the availability of a proposed new name of the association. If the Director approves an amendment, he shall issue to the association a certificate setting forth the amendment and his approval thereof. The amendment shall become effective when such certificate is recorded in the same manner as the association's articles of incorporation.

(e) No amendment of articles of incorporation shall affect any existing cause of action either in favor of or against the association, or any pending action in which the association shall be a party, or the existing rights of persons other than members of the association; and if the amendment has changed the name of the association, no action brought by or against the association under its former name shall be abated for that reason. (As amended by act approved July 11, 1957.)

Section 6-3. Existing Associations — Adoption of Articles and By-laws.) Any existing association the by-laws of which contain provisions enumerated in the section of this Act concerning Contents of Articles of Incorporation, at an annual or special meeting may amend its present charter, articles of incorporation, certificate of complete organization, or other instruments concerning organization, by adopting articles of incorporation containing the provisions enumerated in said section. Such adoption shall repeal the existing by-laws of the association without further action, and the board of directors shall adopt new by-laws in accordance with the provisions of this Act. The procedure to be followed in adopting or amending articles of incorporation shall be that prescribed in the preceding section.

Section 6-4. Merger — Adoption of Plan.) Any two or more associations operating under this Act or under Federal charter and located in this State may merge into one association operating under this Act. The board of directors of each merging association, by resolution adopted by a majority vote of all members of such board, must approve the plan of merger, which shall set forth:

(a) The name of each of the merging associations, and the name of the continuing association and the location of its business office;

(b) The amount of capital, reserves, and undivided profits of the continuing association, and the kinds of shares and other types of capital to be issued thereby;

(c) The articles of incorporation of the continuing association;

(d) A detailed pro forma financial statement of the assets and liabilities of the continuing association;

(e) The manner and basis of converting the capital of each merging association into capital of the continuing association;

(f) The other terms and conditions of the merger and the method of effectuating the same;

(g) Such other provisions with respect to the

merger as appear necessary or desirable, or as the Director may reasonably require to enable him to discharge his duties with respect to such merger.

Section 6-5 Merger — Approval by Director.)

(a) The plan of merger adopted as aforesaid shall be submitted to the Director for approval, together with a certified copy of the authorizing resolution of each board of directors, showing approval by a majority of the entire board of each merging association operating under this Act and evidence of proper action by the board of any merging Federal association.

(b) The Director may make or cause to be made an examination of the affairs of each of the merging associations.

(c) The Director shall approve the plan of merger if, after appropriate inquiry into the affairs of each of the merging associations, he finds that:

(1) The continuing association meets the requirements of this Act as to the organization of a new association;

(2) The plan provides an adequate capital structure;

(3) The plan is fair to all persons affected; and

(4) The plan meets the approval of the insurance corporation, if such approval is required.

(d) If the Director disapproves the plan of merger, he shall state his objections in writing and give the merging associations an opportunity to amend the plan of merger, to obviate such objections.

Section 6-6. Merger—Approval by Members.)

After approval by the Director, the plan of merger shall be submitted to a vote of the members of each merging association. Each meeting of the members of an association operating under this Act shall be called and held in accordance with the section of this Act concerning Members' Meetings. The plan will be approved by the members of an association if the plan receives, in the affirmative, $\frac{2}{3}$ or more of the total number of votes which all members of the association are entitled to cast. Each meeting of a Federal association shall be called and held, and the required majority must be obtained, in accordance with the applicable Federal law and regulations. (As amended by Act approved July 9, 1959.)

Section 6-7 Merger — Director's Certificate; Effective Date.)

(a) A report of proceedings at the meeting of the members of each association, certified by the president or a vice-president and attested by the secretary thereof, and setting forth the notice given and time of mailing thereof, the vote on the plan of merger, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed in duplicate with the Director, together with the plan of merger, duly executed by

each merging association. The Director thereupon shall issue to the continuing association a certificate of merger, setting forth the name of each merging association and the name of the continuing association, and the articles of incorporation of the continuing association; and attaching thereto, as a part thereof, a copy of the report of proceedings filed as aforesaid by each merging association.

(b) The merger shall become effective upon the recording of the certificate of merger in the same manner as articles of incorporation, in each county in which the business office of any of the merging associations was located, and in the county in which the business office of the continuing association is located.

(c) When duly recorded as aforesaid, the certificate of merger shall be conclusive evidence, except against the State, of the merger and of the correctness and validity of all proceedings in connection with the merger.

Section 6-8 Merger—Director's Expenses.) The expenses of any examination made by or at the direction of the Director in connection with a proposed merger shall be paid by the merging associations.

Section 6-9. Effect of Merger.)

(a) The continuing association shall be considered the same business and corporate entity as each merging association, with all of the property, rights, powers, duties, and obligations of each merging association, except as otherwise provided by the articles of incorporation of the continuing association.

(b) All liabilities of each of the merging associations shall be liabilities of the continuing association; and all of the rights, franchises, and interests of each of the merging associations in and to every kind of property, real, personal or mixed, shall vest automatically in the continuing association, without any deed or other transfer.

(c) Any reference to a merging association in any writing, whether executed or effective before or after the merger, shall be deemed a reference to the continuing association, if not inconsistent with the other provisions of such writing.

(d) No pending action or other judicial proceeding to which any merging association is a party shall be abated or discontinued by reason of the merger, but may be prosecuted to final judgment, order or decree in the same manner as if the merger had not occurred.

Section 6-10. Sale of All Assets.) An association, in one transaction not in the usual and regular course of its business, may sell all or substantially all of its assets, with or without its name and goodwill, to another association or to a Federal association, in consideration of money, capital, or obligations of the purchasing association.

Section 6-11. Procedure to Effect Sale of All Assets.) The procedure to effect a sale authorized by the foregoing section shall be as follows:

(a) The board of directors shall adopt a resolution setting forth the terms of the proposed sale and directing the submission thereof to a vote at a meeting of the members, which may be an annual or special meeting.

(b) The said terms shall be set forth in the notice of meeting mailed as prescribed in the section of this Act concerning Members' Meetings.

(c) The proposed sale will be approved by the members upon receiving in the affirmative, two-thirds (2/3) or more of the total number of votes which all members of the association are entitled to cast. A proposal for the voluntary liquidation of the association shall be submitted to the members at the same meeting or at any adjournment thereof, or at any later meeting called for such purpose, in accordance with the article of this Act concerning Voluntary Liquidation. A report of proceedings, certified by the president or a vice-president and attested by the secretary, and setting forth the terms of the proposed sale, the notice given and time of mailing thereof, the vote on the proposal, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed with the Director.

(d) If the Director finds that the proposed sale is fair to all holders of capital, creditors, and other persons concerned, and provision has been made for the disposition of the remaining assets, if any, of the association as provided in this Act for reorganization or voluntary liquidation, then he shall issue to the association a certificate of authorization for such sale, attaching thereto, as a part thereof, a copy of the report of proceedings filed as aforesaid.

(e) Upon recording said Director's certificate in the same manner as the association's articles of incorporation, the association may complete the sale so authorized; except that an insured association first shall obtain the approval of the insurance corporation.

(f) If the sale includes the name of the association, the purchasing association shall have the exclusive right to such name for a period of five (5) years.

(g) If the association has failed to adopt a plan of voluntary liquidation, the Director may proceed against such association as provided in the article of this Act concerning Involuntary Liquidation.

Section 6-12. Conversion from State to Federal Association.) Any association operating under this Act may become a Federal association pursuant to the laws and regulations of the United States and in accordance with the following procedure:

(a) The board of directors shall approve a plan of conversion by resolution adopted by majority vote of all of the directors. The plan shall set forth, among other terms:

(1) A financial statement of the association as of the last business day of the month preceding the adoption of the plan;

(2) The disposition of withdrawable capital and permanent reserve capital, if any;

(3) Adjustments, if any, in the value of the withdrawable accounts when exchanged for comparable accounts in the Federal association;

(4) The disposition of any segregated surplus established under the provisions of the section of this Act concerning Permanent Reserve Shares—Rights of Existing Shareholders;

(5) The disposition of any obligations, or liabilities.

Such plan and resolution shall be submitted to the Director at least 15 days prior to the members' meeting at which action of members is to be taken.

(b) If the plan of conversion provides for (1) no adjustment in the withdrawable capital accounts of members; and (2) all obligations and liabilities to be assumed by the Federal association, then the Director's approval of the plan of conversion shall not be required.

(c) If the plan of conversion adjusts values of any type of capital, or if the association has a segregated surplus, such plan of conversion shall be subject to the approval of the Director. Approval shall be given in such case if the Director finds that the plan is equitable and protects the rights of all persons affected, including such contingent interests as theretofore may have been created in the segregated surplus, if any.

(d) After receipt of such approval from the Director, if required, the plan of conversion may be submitted at an annual or special meeting of the members. The plan will be adopted upon receiving, in the affirmative, two-thirds or more of the total number of votes which all members of the association are entitled to cast. A report of proceedings at such meeting, certified by the president or a vice-president and attested by the secretary, shall be filed promptly with the Director.

(e) Within 90 days after the date of such meeting, the association shall take the action prescribed and authorized by the laws and regulations of the United States to complete its conversion to a Federal association.

(f) Upon receipt of a Federal charter, the association shall file promptly with the Director either a copy of said charter or a certificate of the appropriate Federal officers setting forth the facts concerning the issuance of such charter; and upon recording said charter in the same manner as the association's articles of incorporation, the association shall cease to be an association operating under this Act. (As amended by act approved July 11, 1957.)

Section 6-13. Conversion from Federal to State Association.) Any Federal association may become an association operating under this Act, pursuant to the laws and regulations of the United States and in accordance with the following procedure:

(a) The board of directors shall adopt a plan

of conversion, which shall set forth, among other terms, the provisions required in Sub-section (a) of the preceding section of this Act. Such plan and resolution shall be submitted to the Director.

(b) If the Director, after appropriate examination, shall find that the association complies sufficiently with the requirements of this Act to entitle it to become an association operating under this Act, he shall approve the plan of conversion. However, he may prescribe terms and conditions, to be fulfilled either prior to or after the conversion, to cause the association to conform with the requirements of this Act.

(c) After receipt of the Director's approval, the plan of conversion may be submitted at an annual or special meeting of the members; and the plan will be adopted upon receiving, in the affirmative, two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast. Thereupon, such action shall be taken to adopt articles of incorporation, to elect directors, to adopt by-laws, and to elect officers, as is prescribed for a new association in the article of this Act concerning Incorporation and Organization. A report of proceedings at such meeting, certified by the president or a vice-president and attested by the secretary, shall be filed promptly with the Director.

(d) If the Director finds that such proceedings have been in accordance with the provisions of this section, he shall issue a certificate of conversion, setting forth the articles of incorporation and attaching, as a part of the certificate, a copy of the report of proceedings filed as aforesaid.

(e) The conversion shall become effective upon the recording of the certificate of conversion in the manner required by this Act for the recording of articles of incorporation.

Section 6-14. Effect of Conversion.) When an association effects a conversion in accordance with either of the two preceding sections, the corporate existence of such association shall not be interrupted; but the identity of the association shall continue, together with all of the obligations and liabilities of the association; and all of its rights, franchises, and interests in and to every kind of property, real, personal or mixed, shall continue without the necessity of a deed or other transfer. Any reference to the association before conversion, contained in any writing, whether executed or effective before or after the conversion, shall be deemed a reference also to the association after conversion, if not inconsistent with the other provisions of such writing. No pending action or other judicial proceeding to which the association is a party shall be abated or discontinued by reason of such conversion, but the same may be prosecuted to final judgment, order, or decree in the same manner as if such conversion had not occurred.

ARTICLE 7—Supervision.

Section 7-1 Director's Regulations.) The Director shall have the power to establish such regulations

as may be reasonable or necessary to accomplish the purposes and provisions of this Act.

Section 7-2. Examination.)

(a) The Director, at least once in each year, without previous notice, shall cause an examination to be made of the affairs of every association. Such examination shall be made by competent examiners appointed for that purpose, who are not officers or agents of, or in any manner interested in, any association which they examine, except that they may be holders of withdrawable capital.

(b) The officers, agents, or directors of any such association shall cause the books of the association to be opened for inspection by the Director or his examiners and otherwise assist in such examination when requested; and for the purpose of examination, the examiner in charge thereof shall have power to administer oaths and to examine under oath any officers, employees, agents, or directors of such association relative to the business of the association.

(c) The Director shall make a report of each examination to the board of directors of the association examined, and if the affairs of the association are not being conducted in accordance with this Act, he may require the directors, officers, or employees to take any necessary corrective action. In the interests of the members of the association, the Director may prepare a statement of the condition of the association, and may mail the same to the members or may require a single publication thereof.

Section 7-3. Audit by Public Accountant.) The Director may approve in writing the appointment by the board of directors of a licensed public accountant to audit the books of the association at least once in each year, without previous notice; and the Director may prescribe the scope of such audit within generally accepted auditing principles, and may require the filing of a copy of such audit with the Director.

Section 7-4 Reports to Director and Members.)

(a) Every association operating under this Act shall file with the Director within sixty (60) days following the close of each fiscal year of such association, a statement showing its financial condition at the close of the fiscal year and its operations for the year then ended. Each such statement shall be on forms prescribed by the Director and in conformity with generally accepted accounting principles, and shall be verified by the secretary and certified by (1) a committee of three or more members who are not officers of the association; or (2) a licensed public accountant appointed by the board of directors; or (3) two officers of the association, if a licensed public accountant has been appointed to audit the books and records of the association as provided in the preceding section of this Act.

(b) Every association shall file also such other reports as the Director may require from time to time.

(c) Within sixty (60) days after the date of

such statement, the association either shall mail to each member the annual statement of condition, or a condensed form thereof approved by the Director, or shall publish the same at least once.

Section 7-5 Director's Report to the Governor.) The Director shall prepare and transmit to the Governor of this State a condensed annual report of the financial condition of all associations operating under this Act, and may cause a copy of such report to be printed and circulated.

Section 7-6. Information to Federal Authorities.) The Director may give copies of reports of his examinations of an association, and copies of the association's reports to him, and any other information which he has concerning the association, to the Federal Home Loan Bank (or its successor instrumentality) of which the association is a member, or to the insurance corporation which has insured the association's capital; but no such action by the Director shall relieve the association from compliance with any requirements of such Federal institution concerning examinations or reports, or limit the Director's powers to examine or to require reports from the association.

Section 7-7. Procedure Upon the Impairment of Permanent Reserve Capital.) If the Director finds, from a report or examination of an association, that the permanent reserve capital is impaired, he shall direct whichever of the following procedures is appropriate:

(a) The board of directors either (1) shall require the permanent reserve shareholders to contribute an amount at least sufficient to eliminate the impairment; or (2) shall reduce the par value of the permanent reserve capital in at least the amount of the impairment and allocate such reduction to undivided profits or reserves to absorb the loss which created the impairment.

(b) If such impairment causes the book value of the permanent reserve capital to be less than the amount of minimum initial permanent reserve capital which the association, if it were being newly authorized to issue such capital, would be required to issue under the provisions of the section of this Act concerning Permanent Reserve Shares—Authorization of Issuance; Minimum Amount, then the board of directors shall require the permanent reserve shareholders to contribute the amount necessary to make up the difference. If any permanent reserve shareholder, within 30 days after notice to contribute has been mailed to him, shall neglect or refuse to pay his proportionate contribution, the board of directors shall cause a sufficient amount of such holder's permanent reserve shares to be sold at public auction. Not less than 20 days before the date of such sale, notice thereof shall be posted in the business office of the association, and shall be published. Any proceeds of such sale in excess of such proportionate contribution shall be returned to the shareholder. (As amended by act approved July 11, 1957.)

Section 7-8 Director's Authority to Take Custody.) The Director in his discretion may take custody of the books, records and assets of every kind and character of any association, trust, or association in liquidation, for any of the purposes hereinafter enumerated, if it appears from reports made to the Director, or from examination made by or on behalf of the Director:

(a) That the directors, officers, trustees, or liquidators have neglected, failed or refused to take any action which the Director may deem necessary for the protection of the association or trust, or have impeded or obstructed an examination; or

(b) That the withdrawable capital of the association is impaired to the extent that the realizable value of its assets is insufficient to pay in full its creditors and holders of its withdrawable capital; or that its permanent reserve capital is impaired; or

(c) That the association is unable to continue operations; or

(d) That the business of the association, trust, or association in liquidation is being conducted in a fraudulent, illegal, or unsafe manner; or

(e) That the officers, employees, trustees, or liquidators have continued to assume duties or perform acts without giving bond as required by the provisions of this Act.

Unless the Director finds that an emergency exists which may result in loss to members or creditors and requires that he take custody immediately, he first shall give written notice to the directors, trustees, or liquidators specifying the conditions criticised and state a reasonable time within which correction may be made. (As amended by act approved July 11, 1957.)

Section 7-9. Purposes of Taking Custody.) The purposes of taking such custody of an association or trust may be examination; further examination; conserving of its assets; restoration of impaired capital; the making of any necessary or equitable adjustment deemed necessary by the Director under any plan of reorganization; or liquidation; or the maturing of the obligation of the insurance corporation.

Section 7-10. Director's Powers During Custody.) During the period in which the Director has such custody, the Director shall be vested with full power and control, including (but not limited to) the authority:

(a) To operate the association as a going concern;

(b) To exercise all of the rights, powers, and privileges possessed by the officers and directors, liquidators, or trustees, except that no loans shall be made during such period of operation unless with the concurrent approval of the Director and at least two-thirds ($\frac{2}{3}$) of the directors, or pursuant to the order of a court of competent jurisdiction.

(c) To permit withdrawals to be made in accordance with the provisions of this Act in such proportionate amount or amounts as the Director believes will safeguard the interests of all holders of withdrawable capital;

(d) To accept payments on withdrawable capital as hereinafter provided:

(e) To call a meeting of the members, directors, trustees, or liquidators for any purpose which he may deem necessary;

(f) At such meeting, to act in the place and stead of the officers, directors, trustees or liquidators, whenever they or any of them, shall fail, neglect, or refuse to act, and such action is required to effectuate the purpose for which the said meeting is called;

(g) Without appointment of a receiver, but upon order of a court of competent jurisdiction, or with the approval of two-thirds ($\frac{2}{3}$) of the directors, to make and carry out agreements with the insurance corporation or with any other financial institution for the payment or assumption of the association's liabilities, in whole or in part, and to sell, convey, transfer, pledge or assign assets as security or otherwise, and to make guaranties in connection therewith, and to sell or compound bad or doubtful debts of the association upon such terms and conditions as may be required either to restore the association to solvency or to safe and sound operating condition, or otherwise to further the orderly liquidation of the association.

Section 7-11. Custody of Insured Associations.)

If an association of which the Director takes custody under authority of this article is an insured association, the Director, in addition to powers conferred above, is authorized to:

(a) Forthwith notify the insurance corporation of such custody, his reasons therefor, and as soon as practicable, furnish the insurance corporation with a copy of the Director's report of examination and condition of the association.

(b) Permit the insurance corporation to submit any plan or proposal for the reorganization, merger, or liquidation of the association which it may deem feasible.

(c) Determine and declare the association to be in default, and to find from his examination and report the amount of the members' insured withdrawable capital, and to make any necessary orders, findings and determinations which may be required for the purpose of making the insurance available to the members.

Section 7-12. Notice of Custody; Action to Enjoin.) Immediately upon taking custody of an as-

sociation or trust, the Director shall mail a written notice thereof to the president or secretary and not less than 2 directors of such association, or to 2 or more of the trustees of any trust, or 2 or more of the liquidators of an association in liquidation. If the contention is made that the Director has no legal grounds for taking custody of the association or trust, the directors or officers of the association or the trustees or liquidators thereof, as the case may be, at any time within 30 days after the mailing of such notice or within such further periods of time as the Director may extend, but not to exceed an additional 60 days, may file a complaint in the Circuit Court of Sangamon County, Illinois or in the circuit or superior court of the county in which the association is located, to enjoin further custody. The court thereupon shall cite the Director to show cause why further custody should not be enjoined. If upon a hearing thereon, the court finds that such grounds did not or do not then exist, it may enter an appropriate order in accordance with the findings of fact, or an order enjoining the Director or any appointees acting under his direction from further custody. (As amended by act approved July 11, 1957.)

Section 7-13. Segregation of Collections During Custody.) All payments received on withdrawable capital on members' unpledged shares or accounts during custody of the association by the Director shall be segregated in a separate account until the association shall be redelivered to the directors or to trustees or liquidators or delivered to a receiver. Any member whose payments have been so segregated may request the return of such payments, and the Director shall repay the same without interest or dividends. Before delivery of the association or its assets to any liquidators or to a receiver, the Director shall return the money so collected from members and so segregated.

Section 7-14. Redelivery of Possession.) If after examination of the association and consideration of all conditions affecting its affairs, the Director finds that the cause or causes for taking custody have been removed, he shall relinquish custody of the association and redeliver the same and all assets, books and records thereof to the directors of the association or to the trustees or liquidators qualified to accept the same.

Section 7-15. Limitations Upon Custody.) The custody of an association by the Director may be continued for a reasonable period not to exceed six (6) months, unless further extension shall be agreed upon by a vote of two-thirds (2/3) of the directors of the association or upon application for such extension and by order entered in a court of competent jurisdiction.

Section 7-16. Expenses and Fees.)

(a) The reasonable expense of any examination or investigation or custody by the Director under any provision of this Act, shall be borne by the association or trust.

(b) Except as to fees which are fixed by this Act, the Director by regulation may prescribe reasonable fees for filing reports and other documents, furnishing transcripts, holding hearings, applications for permits to organize and investigations thereof, and for the taking of any other action for which he incurs expense. (As amended by act approved July 9, 1959.)

Section 7-17. Advisory Board — Appointment.) The Board of Savings and Loan Association Advisers shall be composed of five (5) persons who shall be appointed by the Governor. Each of such persons shall have been engaged actively in savings and loan management in this State for at least five (5) years immediately prior to his appointment, and three of them shall be appointed from a list of not less than eight (8) nominees submitted to the Governor for this purpose by the Illinois Savings and Loan League. Each of such persons shall serve without compensation, but shall be reimbursed for necessary expenses. Initially two of such persons shall be appointed to serve until the third Monday in January 1959 and three of such persons shall be appointed to serve until the third Monday in January 1961. As terms of appointment expire, successors shall be appointed for terms to expire the third Monday in January four years thereafter. All members of the Advisory Board shall serve until their respective successors are appointed and qualified.

Section 7-18. Advisory Board—Organization and Meetings.) The Advisory Board shall elect a chairman, vice-chairman, and secretary; shall adopt regulations for the holding and conducting of meetings and for holding hearings concerning all matters within its powers; and shall keep a record of all meetings and transactions. Regular meetings shall be held as provided in the regulations, and special meetings may be called by the Director or upon the request of any three (3) members of the Board.

Section 7-19. Advisory Board — Powers.) The Board shall have the following powers:

(a) To make recommendations to the Director or the authority responsible for chartering Federal associations, for the purpose of preventing unsound practices in the establishment of new associations proposed to be located in this State; or in any change of location which has the same effect upon other associations as the establishment of a new association.

(b) To make recommendations concerning insurance of withdrawable capital for the purpose of avoiding undue injury to associations in the same community by affording to all such associations an equal opportunity to apply for such insurance at the same time.

(c) To make recommendations on pertinent matters to the insurance corporation regarding the insurance of withdrawable accounts of associations operating under this Act.

(d) To make recommendations to the Director on matters within the scope of his authority con-

cerning conversions or mergers under the sections of this act relating thereto.

(e) To make recommendations to the Director concerning such matters within the scope of his authority as he may refer to the Board for consideration.

(f) To advise the Governor and the Director upon appointments and employment of personnel in connection with the supervision of savings and loan associations.

Section 7-20. Proceedings on Objections to Director's Action.) Except as otherwise specifically provided by this Act, any person who deems himself aggrieved by any decision, order, or action of the Director may receive a hearing as provided in Sections 7-21 through 7-24 of this Act.

Section 7-21. The Director may upon his own motion and shall upon the verified complaint in writing of any person setting forth facts which if proved would constitute grounds for reversal or change of any decision, order or action grant a hearing thereon. If the aggrieved party desires such a hearing, he shall, within 10 days of receipt of notice of such decision, order or action, file written notice with the Director of intent to demand a hearing and shall, within 30 days of receipt of notice of such decision, order or action, file his verified complaint in writing. The Director shall, at least 10 days prior to the date set for the hearing, notify in writing the person adversely affected by such decision, order or action, hereinafter called the respondent and all other parties to the action that a hearing will be held on the date designated and shall afford the respondent and all other parties to the action an opportunity to be heard in person or by counsel in reference thereto. Such written notice may be served by delivery of the same personally to the respondent and all other parties to the action, or by mailing the same by registered or certified mail to the place of business last theretofore specified by the respondent and all other parties to the action in the last notification to the Director. At the time and place fixed in the notice, the Director or his authorized agent, hereafter referred to as the hearing officer, shall proceed to hear the charges and both the respondent and all other parties to the action and the complainant shall be accorded ample opportunity to present in person or by counsel such statements, testimony, evidence and argument as may be pertinent to the issues. The hearing officer may continue such hearing from time to time.

The hearing officer is authorized to subpoena any person in this State and to take testimony either orally or by deposition or by exhibit, with the same fees and mileage and in the same manner as prescribed by law in judicial procedure in civil cases in circuit courts of this state.

The hearing officer may administer oaths to witnesses at any hearing which the hearing officer is authorized by law to conduct.

Section 7-22. The Director, at his expense, unless otherwise provided in this Act, shall provide a stenographer to take down the testimony and preserve a record of all proceedings at the hearing. The notice of hearing, complaint and all other documents in the nature of pleadings and written motions filed in the proceedings, the transcript of testimony, the report of the hearing officer and orders of the Director shall be the record of such proceedings. The Director shall furnish a transcript of such record to any person interested in such hearing upon payment therefor of 75 cents per page for each original transcript and 25 cents per page for each carbon copy thereof ordered with the original; provided, that the charge for any part of such transcript ordered and paid for previous to the writing of the original record thereof shall be 25 cents per page.

A copy of the hearing officer's report and the Director's order shall be served upon the respondent and all other parties to the action by the Director, either personally or by registered or certified mail as provided in this Act for the service of the notice of hearing.

Section 7-23. Any circuit or superior court or any judge thereof, either in term time or vacation, may, upon application of the hearing officer or respondent and all other parties to the action enter an order requiring the attendance at any hearing of witnesses and their testimony, and the production of documents, papers, files, books and records in connection with any hearing. The court or judge may compel obedience to its or his order by proceedings for contempt.

Section 7-24. Any person affected by a final administrative decision of the Director pursuant to the provisions of this Act may have such decisions reviewed only under and in accordance with the "Administrative Review Act," approved May 8, 1945 if such person files within 10 days of receipt of service of a copy of the final decision sought to be reviewed a written notice with the Director of intent to seek review under said Administrative Review Act. The provisions of the "Administrative Review Act," and all amendments and modifications thereof, and the rules adopted pursuant thereto, shall apply to and govern all proceedings for the judicial review of final administrative decisions of the Director hereunder. The term "administrative decision" is defined as in Section 1 of said "Administrative Review Act." (As amended by act approved July 24, 1959.)

ARTICLE 8—Reorganization.

Section 8-1. Authority to Reorganize.) An association may reorganize under the provisions of this article, by adjusting its capital without prejudicing or impairing the rights of any of its creditors; but an adjustment of capital which involves or is part of a proceeding to effect a merger, conversion, sale of all assets, or retirement or reduction of permanent reserve capital, shall be accomplished under the provisions of this Act relating to such other proceeding. (As amended by act approved July 11, 1957.)

Section 8-2. Decision as to Reorganization; Adoption of Plan.)

(a) At any annual or special meeting of the members, the members may vote to reorganize the association, and may adopt a plan of reorganization which has been approved by the board of directors, or proposed by one or more shareholders, or submitted by the Director; or may elect a committee of three (3) persons to prepare and submit a plan, and thereafter may adopt such plan. However, no plan except one submitted by the Director shall be adopted unless it has been filed with the Director at least five (5) days before the vote of the members is taken thereon.

(b) A plan will be adopted upon receiving in the affirmative two-thirds (2/3) or more of the total number of votes which all members of the association are entitled to cast.

Section 8-3. Plan of Reorganization.) The plan of reorganization shall set forth:

(a) A statement of the financial condition of the association duly certified by a licensed public accountant, or verified in such manner as may be required by the Director.

(b) The proposed adjustment of capital.

(c) Any proposed segregation of assets into a segregated trust, and provision for disposition of such trust.

(d) Any amendment to the articles of incorporation, which shall be submitted to the Director for approval and shall be effective as provided in the article of this Act concerning Corporate Changes.

(e) Provision for safeguarding the rights of creditors.

Section 8-4. Election of New Directors; Report and Supervision.)

(a) Upon the adoption of the plan of reorganization, the offices of all directors and officers of the association shall be vacant, and the members shall proceed to elect directors to fill the vacancies. If the plan provides for the segregation of assets under a trust agreement, the members also shall elect (with cumulative voting permitted as in elections of directors) three or more trustees to manage such assets.

(b) A report of proceedings at the meetings of the members, certified by the president or a vice president and attested by the secretary, setting forth the notice given and time of mailing thereof, the vote on the plan of reorganization, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed in duplicate with the Director, together with the plan of reorganization. The Director thereupon shall issue to the association, and to the trustees if assets have been segregated as a part of the plan, a certificate of reorganization, and a certificate of amendment of the articles of incorporation if appropriate.

(c) The reorganization shall become effective upon the recording of the certificate of reorganization and the certificate of amendment of articles of incorporation, if any, in the manner required by this Act for the recording of articles of incorporation.

Section 8-5. Trust Agreement and Procedure.)

(a) The segregated assets shall be disposed of in accordance with the terms of a trust agreement adopted by the board of directors and executed in triplicate by the appropriate officers of the association and the trustees.

(b) The trust agreement shall contain provisions for the full liquidation of the trust, (including but not limited to) powers, duties, and manner of succession of trustees, and other provisions similar to those set forth with respect to liquidators in the section of this Act concerning Plan of Voluntary Liquidation. In addition thereto, the reorganized association shall furnish to the trustees a list of all shareholders whose shares are affected by such segregation of assets, giving their last known addresses and the book value of shares held and the reduction of such values upon reorganization and segregation of assets, so that the trustees may ascertain the relative interest of each shareholder in the trust so created. Such list shall be prima facie evidence of the share interests of all shareholders and no shareholder shall be entitled to a greater proportionate interest in the trust unless and until the trustees shall have agreed to a correction of the list or shall be ordered to do so by a court of competent jurisdiction.

(c) Three copies of the trust agreement shall be submitted to the Director together with a certified copy of the resolution of the board of directors adopting the agreement, and the bonds of the trustees in such amounts as shall be fixed by the board of directors and as provided by the section of this Act concerning Bonds of Officers and Employees.

(d) If the Director finds that the bonds are sufficient and the trust agreement will protect the beneficiaries of the trust, he shall attach his certificate of approval and forward one approved copy of the trust agreement to the trustees and another to the reorganized association.

(e) The trust shall become effective upon recording of the Director's certificate of approval and the trust agreement in the manner required by this Act for the recording of articles of incorporation; and the association thereupon shall be authorized to transfer the segregated assets to the trustees.

Section 8-6. Disposition of Assets by Trustees; Liquidation.) The trust shall be subject at all times to the applicable provisions of the article pertaining to Voluntary Liquidation, and also shall be subject to supervision and examination by the Director.

Section 8-7. Acceptance of Certificates of Beneficial Interest and Withdrawable Capital for Part Purchase Price of Assets.)

(a) The trustees may offer to accept the cer-

tificates of beneficial interest issued by them, or withdrawable capital of the association, to apply upon the purchase price of any assets, but only for such relative values as may be approved by the Director from time to time. If such offer is made, notice thereof by single publication or by mailing, stating the offer and the time, place, and terms of the sale, shall be given to all owners of such certificates prior to the sale.

(b) If a purchaser of segregated assets applies to the reorganized association for a loan on such assets, the association, in lieu of cash advancement on such loan, may issue and the trustees may accept at full value withdrawable capital of the reorganized association up to but not exceeding seventy-five per cent (75%) of the purchase price of such assets. Such sale shall not be consummated until the balance of the purchase price shall have been paid in cash to the trustee.

ARTICLE 9—Voluntary Liquidation.

Section 9-1. Authority to Liquidate.) An association may liquidate voluntarily in accordance with a plan of voluntary liquidation which has been adopted in the manner provided in this article.

Section 9-2. Decision as to Liquidation; Adoption of Plan.)

(a) At any annual or special meeting of the members, the members may vote to liquidate the association, and may adopt a plan of liquidation which has been approved by the board of directors, or proposed by one or more shareholders, or submitted by the Director; or may elect a committee of three (3) persons to prepare and submit a plan, and thereafter may adopt such plan. However, no plan except one submitted by the Director shall be adopted unless it has been filed with the Director at least five (5) days before the vote of the members is taken thereon.

(b) A plan will be adopted upon receiving in the affirmative two-thirds ($2/3$) or more of the total number of votes which all members of the association are entitled to cast.

Section 9-3. Plan of Voluntary Liquidation.) The plan of voluntary liquidation shall provide for the full liquidation of the association, setting forth the powers, duties, manner of filling vacancies, and succession of the liquidators and authorizing them to:

(a) Advance funds of the association to preserve, protect, or purchase at any sale any asset in which the association has an interest.

(b) Sell, convey, lease, mortgage, or exchange any assets for other assets.

(c) Sell and dispose of any assets at public sale to the highest and best bidder or at private sale for the highest price obtainable.

(d) Accept withdrawable capital of the association to apply upon the purchase price of any assets, but only for such relative values as may be approved by the Director from time to time. Notice by single

publication or by mailing, stating the time, place, and terms of the sale, shall be given to all holders of withdrawable capital prior to the sale.

(e) Pay out of the proceeds of liquidation all expenses and services necessary to the liquidation, and also compensation of the liquidators; but such compensation of the liquidators, exclusive of compensation for legal services and other specialized employment, shall not exceed in the aggregate three (3) per cent of the proceeds of liquidation.

Section 9-4. Election of Liquidators, Report, and Supervision.) Upon adoption of a plan of voluntary liquidation, the members shall proceed to elect (with cumulative voting permitted as in elections of directors) not more than three (3) liquidators, who shall have full power to execute the plan; and the procedure thereafter shall be as follows:

(a) A report of proceedings at the meeting of members, certified by the presiding officer of the meeting and attested by the secretary of the meeting, and setting forth the notice given and time of mailing thereof, the vote on the plan of voluntary liquidation, the total number of votes which all members of the association were entitled to cast thereon, and the names of the liquidators elected, shall be filed in triplicate with the Director, together with the plan.

(b) If the Director finds that the plan and proceedings are in accordance with this Act, that the bonds of the liquidators are sufficient, and that the plan is not unfair to any person affected, he shall attach his certificate of approval to the plan and shall forward one copy to the liquidators, and in the case of an insured association, one copy to the insurance corporation.

(c) The plan shall become effective upon the recording of the Director's certificate of approval in the manner required by this Act for the recording of articles of incorporation.

(d) The liquidation of the association shall be subject to the supervision and examination of the Director.

Section 9-5. Protection and Liquidation of Assets.) The liquidators are authorized to advance funds of the association and to take such other action as is advisable to preserve, protect, or purchase at any sale any real estate or other asset upon which the association may hold any lien or encumbrance or in which it may have an interest. The liquidators may sell, convey, lease, mortgage or exchange any assets so purchased or other assets; and in furtherance of the liquidation of the association, may sell and dispose of any of its assets at public sale to the highest and best bidder; or may sell any such assets at private sale for the highest price obtainable. No purchaser shall be required to ascertain the application of the purchase price.

Section 9-6. Notice to File Claims.) The liquidators shall fix a time for all persons having claims against the association, other than as members thereof, to present such claims, and shall cause no-

tice to be published, requiring all persons to present the claims on or before such date, and within five (5) days after the first publication shall mail a copy of such notice to each person whose name appears on the association's records as having a claim. Each claim shall be in writing and verified by the claimant or a duly authorized agent. A claim may be presented at any time on or before the date fixed in the published notice, but any claim not so presented shall be barred. Upon the disallowance of any claim, the liquidators immediately shall notify the claimant of such fact, and the claimant may institute suit to establish such claim at any time before the final distribution.

Section 9-7. Claims of Members.) Whether a member files or does not file a claim with respect to an interest which he has as such member, the liquidators shall determine from the records of the association the amount of such member's claim. Any such member may examine the association's records pertaining to his own claim. The records of the association shall be prima facie evidence of each such claim or interest, and no member shall be entitled to a greater claim or proportionate interest in the association unless and until the liquidators shall have agreed to a correction of the records pertaining to such claim or interest, or shall be ordered to correct such records by a court of competent jurisdiction. The liquidators shall require all members to present their certificates or account books, if any, for verification and endorsement upon payment of any liquidating dividend or distribution; and upon final distribution, such certificates or account books, if any, shall be surrendered to the liquidators.

Section 9-8. Payments and Distribution.) Claims having a preference in law shall be given preference in payment; except that no payment of less than ten dollars (\$10.00) need be made until final distribution. No distribution shall be made on claims for withdrawable capital until such preferred claims have been paid or provided for in full, or during the pendency of any suit unless sufficient funds are segregated to pay any judgment which may be rendered in such suit. Ratable payments and distributions on withdrawable capital may be made at any time after the time fixed for the presentment and allowance of claims has elapsed. Holders of permanent reserve capital, if any, shall participate in the liquidation of the remaining assets after payment or provision for payment has been made in full to all creditors, holders of withdrawable capital, and any claims which the holders may have in the balance of any segregated reserves. Final distribution shall be made in accordance with the next succeeding section of this article. (As amended by act approved July 11, 1957.)

Section 9-9. Final Distribution and Dissolution by Director.) When all assets have been liquidated and all claims and expenses have been paid, dissolution of the association shall be accomplished in the following manner:

(a) The liquidators shall file with the Director the duly verified final report of their acts and pro-

posed final distribution.

(b) Upon the Director's approval of the final report, the liquidators shall publish notice of the proposed distribution, and shall allow any shareholder to examine the records of the association to ascertain his proper share of such distribution. Any shareholder who fails to commence, before the date fixed for final distribution, appropriate judicial proceedings to contest such distribution, shall be barred from contesting the same thereafter. The liquidators shall proceed to make final distribution on the date fixed therefor, except that such distribution shall be deferred until final disposition of any pending judicial action affecting the distribution, and payment of any judgment entered therein.

(c) When final distribution has been made, except as to any money due to but unclaimed by any creditor, shareholder, or other person, the liquidators shall deposit such unclaimed money with the Director, for payment to the person or persons entitled thereto upon application and proof of right as provided by law.

(d) The liquidators also shall deliver to the Director all books of account and other records of the association, for preservation for at least two (2) years and destruction thereafter as provided by law.

(e) Upon completion of the foregoing procedure, the liquidators shall be discharged; the Director shall issue a certificate of dissolution of the association and shall record same in the manner required by this Act for the recording of articles of incorporation; and upon such recording, the dissolution shall be effective.

ARTICLE 10—Involuntary Liquidation.

Section 10-1. Director to Appoint Receiver.) If the Director, after taking custody of an association under the section of this Act concerning Director's Authority to Take Custody, finds that any one or more of the reasons for taking custody continues to exist through the period of his custody, then he shall appoint any qualified person, firm, or corporation as receiver or co-receiver of such association or trust for the purpose of liquidation. In the case of an insured association, he may appoint the insurance corporation or its nominee as such receiver or as a co-receiver; and the insurance corporation may be permitted to serve without bond. The receiver shall take possession of and title to the books, records, and assets of every description of the association or trust.

Section 10-2. Filing of Complaint by Attorney General.) After so appointing a receiver, the Director shall direct the Attorney General to file a complaint in equity in the name of the Director in the circuit or superior court of the county in which such association or trust is located and against the association or trustees or liquidators, as the case may be, for the orderly liquidation and dissolution of the association or trust and for an injunction restraining the officers, directors, trustees, or liquidators, from continuing the operation of the associa-

tion or trust. No complaint shall be filed nor shall other proceedings be commenced in any court for the dissolution or winding up of the affairs of the association or trust except in the name of and by authority of the Director represented by the Attorney General.

Section 10-3. Receiver's Powers; Court Supervision.) Upon order of the court in which the Director's complaint for dissolution and winding up of the affairs of the association has been filed, the receiver shall have the power and shall be charged with the duties and responsibilities as follows:

(a) To sell and compound all bad or doubtful debts on such terms as the court shall direct;

(b) To sell the real and personal property of the association on such terms as the court shall direct;

(c) To petition the court for authority to borrow money to protect assets or to facilitate liquidation and distribution, and to pledge assets as security therefor, which petition shall be heard by the court upon such notice to all parties in interest as the court shall direct, and such loans may be obtained and assets pledged as security therefor upon such terms and conditions as may be deemed expedient and necessary;

(d) To make and carry out agreements with the insurance corporation or with any other financial institution for the payment or assumption of the association's liabilities, in whole or in part, and to sell, convey, transfer, pledge or assign assets as security or otherwise, and to make guaranties in connection therewith.

Section 10-4. Expenses of Custody and Receivership.) All expenses incurred by reason of the examination, custody, and receivership, including compensation to such receiver, accountants, or clerical assistants, and reasonable solicitors' and attorneys' fees, approved by the Director or the court, shall be paid out of the assets of such association or trust.

Section 10-5. Notice to Creditors.) The receiver shall cause notice to be published calling on all persons who may have claims against such association or trust to present the same to such receiver and to make legal proof thereof, and the said claims shall be presented to the court, and the allowance or disallowance of such claims by the court in connection with said proceedings shall be deemed an adjudication in a court of competent jurisdiction. After the expiration of the time specified in such publication, the receiver shall file with the Director and with the clerk of the court a correct list of all creditors and all members of the association or beneficiaries of the trust, as shown by the books and records, who have not presented their claims, and the amount of their respective claims, after allowing all just credits, deductions and setoffs as shown by the books and records. Such claims so filed shall be deemed proven, unless objections are filed thereto by any parties interested therein within such time as shall be fixed

by the court and such notice of application for adjudication of such claims shall be given as the court may direct.

Section 10-6. Distribution by Receiver.) Claims having a preference in law shall be given preference in payment; except that no payment of less than ten dollars (\$10.00) need be made until final distribution. No distribution shall be made on claims for capital until such preferred creditors have been paid or provided for in full, or during the pendency of any suit unless sufficient funds are segregated to pay any judgment which may be rendered in such suit. At any time after the expiration of the published claim date and from time to time, the receiver may make ratable distribution on all such claims as may have been proven to the satisfaction of the receiver, or adjudicated in a court of competent jurisdiction. Final distribution shall be made in accordance with the next succeeding section of this article.

Section 10-7. Final Distribution and Dissolution by Court.) When all assets have been liquidated and all claims and expenses have been paid except for the final distribution, dissolution of the association shall be accomplished in the following manner:

(a) The receiver shall file with the court the final report of his acts and proposed final distribution.

(b) Upon the court's approval of the final report, the receiver shall give such notice, and thereafter shall make final distribution, in such manner as the court may direct.

(c) When final distribution has been made except as to any unclaimed money, the receiver shall deposit such unclaimed money with the Director and shall deliver to the Director all books of account and other records, in the manner and for the purpose prescribed in the section of this Act concerning Final Distribution and Dissolution by Director.

(d) Upon completion of the foregoing procedure, and upon the petition of the Director (represented by the Attorney General) and the receiver, the court may find that the association or trust should be dissolved; and after such publication of notice of dissolution as the court may direct, the court may enter a decree of dissolution.

ARTICLE 11—Miscellaneous Provisions.

Section 11-1. Reservation of Powers to General Assembly.) The General Assembly shall have power to amend, repeal, or modify this Act, and such amendments or modifications shall be binding upon any and all associations operating under this Act.

Section 11-2. Applicability of Other Acts.) Whenever in any act the terms "savings and loan," "building and loan," "mutual building loan and homestead," "building loan and homestead," or other similar name, are used with reference to associa-

tions organized for the purposes of associations incorporated under this Act, such reference shall be applicable to associations operating under this Act; and whenever in any act the terms "members," "shareholders," or "investors" are used in connection with such associations, however named, the same shall refer to members and holders of capital of associations operating under this Act.

Section 11-3. Separability.) If any provision, clause, or phrase of this Act or the application thereof to any person or circumstance, is held invalid, such invalidity shall not affect other provisions or applications of this Act which can be given effect without the invalid provisions or application, and to this end the provisions of this Act are declared to be separable.

Section 11-4. Repealer.) "An Act in relation to mutual building, loan and homestead associations," filed June 19, 1919, and all acts amendatory thereof, are hereby repealed.

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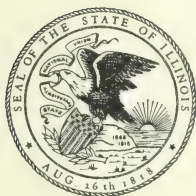
ILLINOIS SAVINGS AND LOAN ACT

1961 Edition

CONRAD F. BECKER, Director

Department of Financial Institutions

State of Illinois
OTTO KERNER, Governor



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Department of Financial Institutions



▲ To provide greater assistance in the administration and supervision of the Savings and Loan Associations, the Director maintains both a Chicago office and Springfield office. Each office serves that part of the State indicated by the division of the State on the map above.

▲ Associations in the Chicago area should direct inquiries to the Director of Financial Institutions, Savings and Loan Division, 160 North LaSalle Street, Chicago 1, Illinois. Telephone: Financial 6-2000, Ext. 2417.

▲ Associations in the Springfield area should direct inquiries to the Director of Financial Institutions, Savings and Loan Division, State Capitol Building, Room 103M, Springfield, Illinois. Telephone: 527-6611, Ext. 5131.

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ILLINOIS SAVINGS AND LOAN ACT

AN ACT to revise and codify the laws in relation to Savings and Loan Associations and to provide penalties for the violation thereof, and to repeal an Act therein named. Approved July 5, 1955.

ARTICLE 1—General Provisions

Section 1-1. Short Title.) This Act shall be known and may be cited as the "Illinois Savings and Loan Act."

Section 1-2. Policy of Act.) The General Assembly has found and declares:

(a) That the savings and loan business, otherwise known as the building, loan, and homestead business, which is within the scope of this Act, has so expanded in recent years, and has become so integrated with the financial institutions of this State and is so important as a method of promoting home ownership and thrift, that such business, to an even greater extent than heretofore, is affected with a public interest and should continue to be supervised as a business affecting the economic security and general welfare of the people of this State;

(b) That such business should be operated only by associations organized and conducted in accordance with the authority provided in this Act;

(c) That the number and minimum size of the associations conducting such business should be controlled in the interest of securely and efficiently serving the needs of the localities in which they operate;

(d) That the public interest requires the promotion and fostering of the savings and loan, or building, loan, and homestead business and the assurance of its financial stability;

(e) That in order to further the policies herein expressed, the provisions of this Act shall be liberally construed to promote and foster the purposes of savings and loan associations.

Section 1-3. Scope of Act; Application to Federal Associations.)

(a) This Act applies to all existing mutual building loan and homestead associations, savings and loan associations, savings associations, building and loan associations, and other similar associations by whatever name called, organized under this or any prior act; and to all foreign associations duly authorized to do business in this State.

(b) Unless Federal laws or regulations provide otherwise, Federal Associations and their members shall possess all of the rights, powers, privileges, immunities, and exemptions granted by this Act to associations operating hereunder and to the members thereof, or by any other Act or Section thereof, to such associations or members, whether or not specifically mentioned in the Section or Sections granting such rights, powers, privileges, immunities and exemptions. (As amended by act approved August 14, 1961.)

Section 1-4. Effect on Existing Associations.)
With respect to any existing association:

(a) The by-laws, shares, and contracts of such association shall continue in full force and effect; but the association shall be operated in accordance with the provisions of this Act.

(b) If the association accepts the benefits of, or avails itself of the powers given by, this Act, the association shall be subject to the provisions and requirements of this Act in every particular, as if the association had been organized under this Act.

(c) That portion of the statement of incorporation, charter, or certificate of complete organization of an existing association, which corresponds to the contents of articles of incorporation, as defined in Section 2-8 of this Act, shall be deemed to be the articles of incorporation of such association; and that portion of its statement of incorporation, charter, and certificate of complete organization corresponding to the contents of by-laws, as defined in Section 2-9 of this Act, shall be deemed to be the by-laws of such existing association.

Section 1-5. Prohibitions.)

(a) No person or group of persons, except an association duly incorporated under this Act or a prior act, or a Federal association, or a foreign association duly authorized to do business in this State, shall transact business within the scope of this Act or do any business under any name or title, or circulate or use any advertising or make any representation or give any information to any person, which indicates or reasonably implies the operation of a business which is within the scope of this Act.

(b) A court of competent jurisdiction may issue an injunction to restrain any person from violating or continuing to violate any of the foregoing provisions of this section.

(c) Any person who violates any provision of this section shall be punished by a fine of not more than one thousand dollars (\$1,000.00).

Section 1-6. General Corporate Powers.) An association operating under this Act shall be a body corporate and politic and shall have all of the specific powers conferred by this Act and in addition thereto, the following general powers:

(a) To sue and be sued, complain and defend in its corporate name; and to have a common seal, which it may alter or renew at pleasure;

(b) To obtain and maintain insurance of the association's withdrawable capital by an insurance corporation as defined in this Act;

(c) To become a member of a Federal Home Loan Bank, and to have all powers of such a member which are not inconsistent with the provisions of this Act;

(d) To act as a fiscal agent for the United States when duly designated for that purpose, and as such agent to perform such reasonable functions as may be required of it;

(e) To become a member of or deal with any corporation or agency of the United States or the State of Illinois, to the extent that such agency assists in furthering or facilitating the association's purposes or powers, and to that end to purchase stock or securities thereof or deposit money therewith, and to comply with any other conditions of membership or credit;

(f) To make donations in reasonable amounts for the public welfare or for charitable, scientific, religious, or educational purposes;

(g) To adopt and operate reasonable insurance, bonus, and retirement plans for officers and employees;

(h) To reject any application for membership; to retire withdrawable capital by enforced retirement as provided in this Act and the by-laws; and to limit the issuance of or payments on withdrawable capital, subject however to contractual obligations.

Section 1-7. Power to Borrow.)

(a) The board of directors may borrow money for the uses and purposes of the association, and may pledge, mortgage, or otherwise encumber any of its assets in connection therewith; but such borrowing shall not exceed fifty per cent (50%) of the aggregate withdrawal value of the association's withdrawable capital without prior approval of the Director. A subsequent reduction of withdrawable capital shall not affect in any way outstanding obligations for borrowed money.

(b) A debt incurred by the association in violation of this section is not invalid or illegal as to the rights of the lender. (As amended by act approved June 4, 1957.)

Section 1-8. Incidental Powers.) An association also shall have any power conferred on a corporation by the Business Corporation Act, and any power not prohibited by law, which is reasonably incident to the accomplishment of the express powers conferred upon the association by this Act.

Section 1-9. Powers Not to be Exercised.) No association to which this Act applies shall accept or carry any demand, commercial or checking account.

Section 1-10. Definitions.) The following words and phrases have the following respective definitions for the purpose of this Act, except to the extent that any such word or phrase is specifically qualified by its context:

(a) "Advisory Board": the Illinois State Savings and Loan Advisory Board, as described in the article of this Act concerning Supervision.

(b) "Aggregate withdrawal value": the sum of all payments made on all withdrawable capital accounts of the association and all dividends, and bonuses credited or allocated to such accounts, and all dividends credited to "divided profits" for subsequent crediting to accounts upon maturity; less all withdrawals, retirements, and other proper deductions from accounts and all unpaid charges thereon.

(c) "Association": every association to which this Act applies, as defined in the section concerning Scope of Act.

(d) "Director": The Director of Financial Institutions, or some person authorized by him to act in his stead.

(e) "Community": a city, village, or incorporated town in this State.

(f) "Continuing association": the association which continues to exist after a merger of associations has been effected.

(g) "Federal association": a savings and loan association or savings association operating under the laws and regulations of the United States.

(h) "Fiduciary": a trustee, executor, administrator, guardian, conservator, agent, receiver, trustee in bankruptcy, assignee for creditors, or any holder of a similar position of trust.

(i) "Impaired" or "impairment," with respect to capital: a condition in which the value of the association's assets is less than the aggregate amount of the association's liabilities to creditors, members, and the aggregate value of its withdrawable capital, and the aggregate par value of its permanent reserve capital.

(j) "Insurance corporation": The Federal Savings and Loan Insurance Corporation, or such other instrumentality of or corporation chartered by the United States as hereafter may be established for the purpose of insuring the withdrawable capital of savings and loan associations.

(k) "Insured association": an association the withdrawable capital of which is insured wholly or in part by an insurance corporation.

(l) "Merger": includes consolidation.

(m) "Merging association": an association which plans or effects a merger with one or more other associations, in accordance with the provisions of this Act concerning merger.

(n) "Person": an individual, partnership, joint venture, trust, estate, unincorporated association, or corporation.

(o) "Prior act": any statute of this State which, prior to the effective date of this Act, has governed the formation and operation of associa-

tions of the type described in the section of this Act concerning Scope of Act.

(p) "Profits": as determined by application of proper accounting principles, gross income less the aggregate of operating and real estate expenses, losses actually sustained and not charged to reserves under the provision of this Act, interest paid or accrued on borrowings and non-recurring charges.

(q) "Publication," "publish," or "published": printed in the American language in a newspaper of general circulation published in the community in which the association's business office is located, or if no such newspaper exists in said community, then in the county in which such business office is located. Unless otherwise specified in this Act, publication shall be made once each week for 3 successive weeks.

(r) "Mail" or "mailed," with respect to a writing or notice: deposit in a United States Post Office mailing facility, in this State, postage prepaid, correctly addressed to the proper person at his address stated on the association's records or otherwise agreed upon, or if no address has been so established, then to the last known address.

(s) "Total assets": the total value of all loan contracts without deduction for the withdrawal value of any capital accounts of the association held as collateral for loans, and the total value of all other assets of the association, as determined by the application of proper accounting principles.

(t) "Withdrawal value" of a capital account: the sum of all payments made by the holder on the account and all dividends, and bonuses credited or allocated to such account, less all withdrawals, retirements, and other proper deductions therefrom and all unpaid charges thereon. However, "withdrawal value" of a share account which is voluntarily withdrawn by the holder before maturity thereof, does not include any portion of the dividends which, pursuant to the by-laws, have not been credited directly to the account but have been credited to "divided profits" of the association, and which the association is entitled to retain by reason of such voluntary withdrawal; and does not include any portion of the bonus reserve which may be retained. (As amended by act approved July 24, 1959.

ARTICLE 2—Incorporation and Organization.

Section 2-1. Applicants and Initial Capital.) Any five or more adult individuals, residents of this State, may apply for a permit to organize an association under this Act. The minimum initial capital which an association must have shall be determined by the population of the community in which the association's business office is to be located, in accordance with the following table:

Population		Minimum
More than	Not more than	Capital
—	5,000	\$ 15,000
5,000	10,000	25,000
10,000	50,000	50,000
50,000	—	200,000

If the association's business office is to be located in an unincorporated area more than five miles from the limits of any community, then the required minimum capital shall be that for a community of five thousand (5,000) population or less; otherwise, the required capital shall be that of the community to which it is adjacent, or if near several communities, that of the community with the highest population classification in the above schedule. Minimum capital to be paid in may consist of withdrawable capital and permanent reserve capital as provided in this Act. If the capital of the association to be organized includes permanent reserve capital, the amount of minimum initial permanent reserve capital shall be not less than twenty-five thousand dollars (\$25,000), and not less than fifty thousand dollars (\$50,000) if the association is to be located in a county with more than five hundred thousand (500,000) population. (As amended by act approved July 11, 1957.)

Section 2-2. Application for Permit to Organize.) The application for a permit to organize an association shall be addressed to the Director in such form as he shall provide; shall be in duplicate, personally signed by each applicant and acknowledged by each applicant in the manner provided for the acknowledgment of deeds. The applicants shall submit with their application statements, exhibits, maps, and other data, which data shall be sufficiently detailed and comprehensive to enable the Director to pass upon the application. (As amended by act approved June 4, 1957.)

Section 2-3. Findings and Hearing.) If the Director does not deny the application on the basis of the data submitted by the applicants and any other information in his possession, the applicants shall publish a notice of intention to organize in such form as the Director shall prescribe. The Director may hear evidence to determine his findings at any time prior to the issuance of a permit to organize. (As amended by act approved June 4, 1957.)

Section 2-4 Director's Approval and Issuance of Permit to Organize.) The Director shall not approve the application and issue a permit to organize unless he shall find:

(a) That a need exists for an association and that the public convenience and advantage will be promoted by the proposed association, in the community or area of operation stated in the application;

(b) That the proposed capital meets the requirements of this Act;

(c) That the general character of the proposed management is such as to assure reasonable probability of the success of the association; and further to assure the success of the association the Director

may require as a condition in the permit that insurance of withdrawable capital shall be effective prior to the issuance of a Certificate of Complete Organization;

(d) That the name of the proposed association is not the same as, or deceptively similar to, the name of any other association in the community or area of operation; and no such name shall contain the words "guaranty", "Guarantee", "insured", or any other word the meaning of which might imply that the association is insured by the insurance corporation unless in fact such insurance or a commitment to insure has been obtained, and such prohibition shall likewise extend to an association amending its articles of incorporation to change its name;

(e) That such association can be established without undue injury to properly conducted existing associations. (As amended by act approved July 9, 1959.)

Section 2-5. Subscription to Capital and Temporary Organization.) Upon receipt of the permit to organize an association, the applicants shall constitute the organization committee and shall perfect a temporary organization by electing a chairman, vice-chairman, and a secretary, who shall act as the temporary officers of such association until their successors are duly elected and qualified. Such temporary officers thereupon shall proceed to:

(a) Secure subscriptions for the required amount of capital in form and manner approved by the Director; and

(b) Call a meeting of subscribers, who shall adopt articles of incorporation and elect directors to serve until the first annual meeting of the association and until their successors are elected and qualified. (As amended by act approved June 4, 1957.)

Section 2-6. Completion of Organization.) The directors so elected shall proceed to:

(a) Organize as a board and qualify as directors;

(b) Adopt by-laws;

(c) Elect officers pursuant to the by-laws;

(d) Collect subscription to the required capital, but only after the persons designated to collect such subscriptions have been bonded as provided in this article;

(e) Take such other action as may be necessary to complete the organization;

(f) Report the completion of the organization to the Director. Unless such report is made to the Director within 6 months after the date of the permit to organize, the permit shall be deemed revoked and any subscriptions collected shall be refunded unless the Director, upon good cause shown, shall extend the time for filing such report for a fixed period which shall not exceed 6 months. (As amended by act approved July 24, 1959.)

Section 2-7. Certificate of Complete Organization.) When the board of directors has organized as provided in this Act and the report of organization has been filed with the Director, he shall make a thorough examination into the affairs of the association, and if he approves the articles of incorporation and is satisfied that all the requirements of this Act have been complied with, and that no intervening circumstance has occurred to change the Director's findings made pursuant to this Act, upon payment into the Department of Financial Institutions of the reasonable expenses of such examination as determined by the Director, he shall issue a certificate of complete organization authorizing the association to commence business. Such certificate together with the articles of incorporation shall be recorded by filing the same for record in the office of the recorder of deeds in the county in which the association is located. Upon such recording the association shall be fully organized and may commence to do business. Such certificate of complete organization and articles of incorporation, or duly certified copies of the recording thereof, shall be conclusive evidence except against the State that the association has complied properly with all requirements for organization, has been duly incorporated, and is authorized to do business under the provisions of this Act. (As amended by act approved June 4, 1957.)

Section 2-8. Contents of Articles of Incorporation.)

(a) The articles of incorporation shall set forth:

(1) The name of the association.
(2) The initial location of the business office.

(3) The duration of existence, which is perpetual unless otherwise specified.

(4) The number of directors, not less than five (5).

(5) The authorization, if any, to issue withdrawable shares, the aggregate amount of which may be unlimited.

(6) The authorization, if any, to issue permanent reserve shares, the aggregate number thereof, and the par value per share which shall not be less than one dollar (\$1.00).

(7) The date of the annual meeting of the members which shall be not more than sixty (60) days after the close of the association's fiscal year.

(8) The quorum required for action of members if a quorum other than that specified in this Act is desired.

(9) Any other provision, not inconsistent with law, which the subscribers or members may desire, for the internal regulation of the affairs of the association.

(b) The articles need not set forth any of the powers which this Act confers. (As amended by act approved July 11, 1957.)

Section 2-9. Contents of By-laws.)

(a) The by-laws of the association shall provide for the following matters consistent with any applicable provisions of this Act:

(1) The minimum frequency of directors' meetings, which shall be at least monthly.

(2) The titles and duties of the officers.

(3) The officers authorized, or who may be authorized, by the directors to execute instruments.

(4) A description of the corporate seal.

(5) The fiscal year of the association.

(6) The location of the business office.

(b) Such by-laws may provide also for any or all of the following matters, among others, consistent with any applicable provisions of this Act:

(1) The method of calling special meetings of the members; requirements for giving notice of meetings of members in addition to the notice prescribed by this Act; and methods of nominating directors and other voting and election procedures.

(2) The method of determining the record date for voting, dividend, and other purposes.

(3) The procedure for the transfer of ownership of capital and for the enforcement of charges and liens.

(4) The plan or plans under which withdrawable capital is to be issued; the classes into which it may be divided; and the characteristics of each class as to time of issuance, times and amounts of payments to be made, classification for dividends purposes, and such other terms as are permitted by this Act.

(5) The method by which the directors may enforce retirement of unpledged withdrawable capital.

(6) The frequency with which profits of the association shall be apportioned and the methods of apportionment.

(7) Provision for establishment of executive, loan, investment, and appraisal committees, and such other special or standing committees as may be desirable.

(c) The Director may publish one or more standard forms of by-laws conforming to the provisions of this Act which may be adopted by associations. (As amended by act approved June 4, 1957.)

ARTICLE 3—Membership and Management.

Section 3-1. Members.)

(a) The membership of an association consists of:

(1) Every holder of a share account, or of one or more withdrawable or permanent reserve shares, issued by the association; and

(2) Every borrower from the association, as long as his loan remains unpaid and he remains liable to the association for the payment thereof; and every obligor of an investment made by the association under the provisions of the section of this Act concerning Investments in Obligations of Members; each of which members shall be known as a borrowing member.

(b) Each joint ownership and each joint obligation shall constitute one membership. (As amended by act approved July 11, 1957.)

Section 3-2. Members' Meetings.)

(a) Each annual meeting of the members shall be held at the time specified in the articles of incorporation; but the failure to hold an annual meeting at the time so specified shall not work a forfeiture or dissolution of the association. The board of directors, or the holders of not less than twenty per cent (20%) of the outstanding permanent reserve shares or of the withdrawal value of all withdrawable capital of the association, or such other person or persons as may be designated by the by-laws, may call a special meeting of the members. Every annual or special meeting shall be held at the business office of the association, or, if the space therein available for such meeting is inadequate, in such other place within the same county as shall be specifically designated in the notice of such meeting. Notice of an annual meeting shall be published once not less than ten (10) days nor more than forty (40) days before the date of the meeting. However, for any special meeting, or for any annual meeting which is to consider any proposition the affirmative action on which requires a two-thirds vote as set forth in this Act, the notice shall be by mail. Published or mailed notice shall state the place, day, hour and purpose of the meeting.

(b) A quorum at any meeting of the members shall consist of the members present in person or represented by proxy, who are entitled to cast a majority of the total number of votes which all members of the association are entitled to cast at such meeting; except that the articles of incorporation may specify some other quorum requirement, but not less than one-third of such total number of votes. Any meeting, including one at which a quorum is not present, may be adjourned by majority vote to a specified date without further notice.

(c) Voting at a meeting may be either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

(d) In the determination of all questions requiring ascertainment of the members entitled to

vote and of the number of outstanding shares, the following rules shall apply:

(1) The date of determination shall be as provided in the section of this Act concerning Record Date for Voting, Dividend and Other Purposes.

(2) Each person holding one or more withdrawable share accounts shall have the vote of one share for each one hundred dollars of the aggregate withdrawal value of such accounts, and shall have the vote of one share for any fraction of one hundred dollars.

(3) Each holder of permanent reserve shares shall have one vote for each permanent reserve share which he holds.

(4) Each borrowing member as such shall have the vote of one share in addition to any vote which he may have otherwise.

(5) Shares owned by the association shall not be counted or voted. (As amended by act approved July 11, 1957.)

Section 3-3. Record Date for Voting, Dividend and Other Purposes.) For the purpose of determining the holders of shares, capital accounts, and membership entitled to notice of or to vote at any meeting of the members, or in order to make a determination of the members, holders, or other persons for any other proper purpose, the by-laws may provide for a record date, not less than ten (10) days nor more than forty (40) days before the meeting, or other event or transaction with regard to which the determination is to be made; and such determination shall be made as of the close of business on such record date. If the by-laws do not provide for a record date, the board of directors may fix such a date for each such determination, within the time stated above; and if the board of directors shall fail to so fix a date, the record date for a meeting shall be the date on which the first notice of meeting is given. Shares or share accounts withdrawn or retired after such record date shall not be voted or counted in determining the number of shares outstanding. This section shall be applicable to the dividend payments on permanent reserve capital; but dividends on withdrawable capital shall be governed by the section of this Act concerning Dividends. (As amended by act approved July 11, 1957.)

Section 3-4. Directors.) The business and affairs of the association shall be exercised by its board of directors, which shall be elected, and shall exercise its powers, as follows:

(a) The board of directors shall consist of the number of directors fixed by the articles of incorporation but shall be not less than 5; all directors shall be bonafide members of the association; and at all times at least two-thirds of the directors shall be residents of this State.

(b) Directors shall be elected for one year and shall serve until their successors are elected and

qualified. In all elections of directors cumulative voting shall be permitted as provided in the Constitution of this State.

(c) In the event of a vacancy on the board of directors from any cause, the remaining directors shall have full power and authority to continue the management of the association. Each vacancy may be filled by election at a special meeting of the members.

(d) The board of directors shall hold regular meetings as provided in the by-laws. Special meetings may be held as provided in the by-laws, and also upon call by the Director after not less than 12 hours' notice by personal or mail service to each director.

(e) A majority of the board of directors shall constitute a quorum for the transaction of business unless a greater number is required in the by-laws. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by law, the articles of incorporation, or the by-laws.

(f) The board of directors shall have all powers which are necessary and proper to enable the association to accomplish its purposes.

(g) The board of directors may adopt or amend by-laws, but no by-law shall be effective until it has been submitted to and approved by the Director as being in conformity with this Act. Each adopted amendment shall be subject to the same inquiry by the Director as the corresponding provision in the original by-laws of the association except as provided in sub-section (h).

(h) If a by-law amendment provides for a change in the location of an association's business office to a location which is more than one mile distant from the existing location, the Director shall not approve the amendment unless he finds that (1) a need exists for an association in the proposed new location; (2) the capital of the association meets the minimum initial capital requirements of this Act with respect to the new location; (3) the proposed change of location can be effected without undue injury to other properly conducted associations; and (4) notice of the association's proposal to change location has been published at least once in the community of the proposed new location. The Director may hear evidence to determine his findings at any time prior to his approval or disapproval of the amendment; and he may require, as a condition of his approval, ratification of the amendment by the vote (at a meeting of the members) or the written consent of the members of the association who are entitled to cast a majority of the total number of votes which all members of the association are entitled to cast. (As amended by act approved July 24, 1959.)

Section 3-5. Waiver of Notice.) Whenever notice is required to be given under this Act, a waiver thereof in writing signed by the person or persons entitled to said notice, shall be deemed equivalent thereto.

Section 3-6. Officers.)

(a) The officers of an association shall consist of a president, one or more vice presidents, secretary, treasurer, and such other officers as the by-laws shall provide, to be elected by the directors; if the by-laws so provide, any two or more offices may be held by the same person, except that one person shall not hold the offices of president and secretary. The duties and powers of the secretary set forth in this Act may be exercised by any other officer designated by the board of directors.

(b) The existence of an association shall not terminate by reason of the failure to elect officers at the time mentioned in the by-laws, and each officer shall hold his office until his successor is elected and qualified.

Section 3-7. Bonds of Officers and Employees.)

(a) Every person appointed or elected to any position requiring the receipt, payment, management or use of money belonging to an association, or whose duties permit him to have access to or custody of any of its money or securities or whose duties permit him regularly to make entries in the books or other records of the association, before assuming his duties shall become bonded in some fidelity insurance company licensed to do business in this State. Each such bond shall be on a form or forms as the Director shall require and in such amount as the board of directors shall fix and approve.

(b) Nothing contained herein shall preclude the Director from proceeding against an association as provided in this Act should he believe that it is being conducted in an unsafe manner in that the form or amount of bonds so fixed and approved by the board of directors is inadequate to give reasonable protection to the association. (As amended by act approved June 4, 1957.)

Section 3-8. Access to Books and Records; Communication with Members.)

(a) Every member or holder of capital shall have the right to inspect such books and records of the association as pertain to his account. Otherwise, the right of inspection and examination of the books and records shall be limited to the Director, as provided in this Act, and to any Federal instrumentality or agency authorized to inspect or examine the books and records of an insured association; and no other person shall have access to the books and records except upon express authority of the board of directors, or shall be entitled to a list of the members.

(b) However, if any member desires to communicate with the other members of the association with reference to any question pending or to be pre-

sented at a meeting of the members, the association shall give him upon request a statement of the approximate number of members entitled to vote at such meeting and an estimate of the cost of preparing and mailing such communication. The requesting member then shall submit the communication to the Director who, if he finds it to be appropriate and truthful, shall direct that it be prepared and mailed to the members, upon the requesting member's payment or adequate provision for payment of the expenses of such preparation and mailing. (As amended by act approved June 4, 1957.)

ARTICLE 4—Capital.

Section 4-1. Types of Capital; Personal Property.)

(a) The capital of an association may be represented by withdrawable capital accounts (shares and share accounts) or permanent reserve shares or both, as provided in this article and as authorized by the articles of incorporation.

(b) All shares and capital accounts shall be personal property in the hands of their holders, transferable as provided in this Act and the by-laws of the association. (As amended by act approved July 11, 1957.)

Section 4-2. Withdrawable Capital.) Withdrawable capital accounts shall be:

(a) Withdrawable and subject to enforced retirement as provided in this article. Nothing in this act shall prevent the withdrawal of funds from an association by non-negotiable order.

(b) Entitled to dividends as provided in this article;

(c) Nonassessable for either debts or losses of the association;

(d) Issued on such plan or plans of payment therefor or thereon and in such series or classes as the by-laws may provide, which plan or plans of payment may include:

(1) Regular installment plan: agreed weekly or monthly payments, with dividends credited to or in behalf of the account until the ultimate value agreed upon in the subscription is reached;

(2) Full paid plan: one single payment of one hundred dollars (\$100) per unit, with dividends payable in cash unless by agreement credited to the account;

(3) Pre-paid plan: one single payment in such amount per unit as is set forth in the by-laws, with dividends credited to such account until the ultimate value of one hundred dollars (\$100) per unit is reached;

(4) Optional plan: payment in such amount or amounts and at such times as the holder

may elect, with dividends credited to such account unless by agreement payable in cash;

(5) Other plans: any other plan of payment which the Director may approve as conforming to a sound savings and loan practice. (As amended by act approved June 4, 1957.)

Section 4-3. Permanent Reserve Shares — Nature.) Permanent reserve shares shall constitute a secondary reserve out of which losses shall be paid after all other available reserves have been exhausted, and shall have a par value of one dollar (\$1.00) each or such greater amount as the articles of incorporation may prescribe; and such shares shall be:

(a) Nonwithdrawable, except as provided in the section of this article on Retirement or Reduction of Permanent Reserve Capital, until all liabilities of the association have been satisfied in full, including payment of the withdrawal value of all other types or classes of capital.

(b) Entitled to dividends only as provided in the section of this article concerning Dividends.

(c) Issued only upon cash payment of not less than the par value thereof, or in exchange for the withdrawal value of withdrawable capital accounts, or in connection with a merger, sale of all assets, or conversion, or as stock dividends as provided in the section of this article on Dividends. (As amended by act approved July 11, 1957.)

Section 4-4. Permanent Reserve Shares—Authorization of Issuance; Minimum Amount.)

(a) An association may provide for the issuance of permanent reserve shares, either by its original articles of incorporation or by an amendment thereto.

(b) The aggregate par value of the initial issue of permanent reserve shares shall be not less than the minimum initial permanent reserve capital which the association, if it were being organized, would be required to have under the provisions of the section of this Act concerning Applicants and Initial Capital; and also shall not be less than the amount computed by adding 3% of the first \$5,000,000 of the aggregate withdrawal value of the association's withdrawable capital, 2% of the next \$2,500,000 of such capital and 1% of any excess of such capital over \$7,500,000.

(c) Any plan for the issuance of permanent reserve shares shall be subject to the approval of the Director as being equitable and in conformity with the provisions of this Act, and the rules and regulations of the Director pertaining thereto. (As amended by act approved July 24, 1959.)

Section 4-5. Permanent Reserve Shares—Rights of Existing Shareholders.) When an association al-

ready in operation amends its articles of incorporation to authorize the issuance of permanent reserve shares:

(a) The association shall mail notice to each shareholder who was entitled to vote at the meeting at which the amendment was adopted, giving him the prior right for at least sixty (60) days after the date of mailing such notice, to subscribe to the initial issue of permanent reserve shares, in the same proportion which the withdrawal value of such holder's share account bears to the aggregate withdrawal value of all withdrawable share accounts in the association. Such rights to subscribe shall be transferable. No fraction of an original permanent reserve share need be issued, but in such case fractional subscription rights may be combined to authorize the subscription to one or more whole permanent reserve shares. Fractional subscription rights need not be issued for an account the withdrawal value of which is less than ten dollars (\$10.00).

(b) Unless other provision is made with respect to reserves and undivided profits, as authorized by sub-section (f) of this section, the board of directors shall determine, as of the day prior to the effective date of the amendment, the total amount of loss reserves, undivided profits, and unallocated reserves after making allowances for accrued dividends and expenses, losses not provided for, and such similar items as are chargeable against the income of the association since the last previous apportionment date. The amount so fixed shall constitute a segregated surplus of the association and may be retained in, or allocated to, such reserve accounts, undivided profits accounts, or surplus accounts as may be lawful; and other earnings of the association accruing after the effective date may be allocated to said segregated surplus and an equal amount then may be transferred to any other unsegregated account.

(c) Such segregated surplus shall be available for losses from the depreciation of securities or otherwise, except that any loss resulting from operations, including loans and investments made or purchased after the effective date of the amendment, shall be charged first to loss reserves and undivided profits created after such date until the same are exhausted.

(d) If the association merges with another as provided in this Act, the balance of such segregated surplus shall continue to be held in a segregated account or accounts for the same use and disposition as though no merger had occurred.

(e) If the association liquidates or effects a sale of all or substantially all of its assets the balance of such segregated surplus shall be distributed to each holder of its capital in the proportion that the amount of his account bears to the total capital.

(f) In lieu of the establishment of a segregated surplus as provided in this section, the plan

for the issuance of permanent reserve shares may include such other provisions with respect to the surplus, reserves and undivided profits of the association as may be approved by the vote (at a meeting of the members) or the written consent of the members of the association who are entitled to cast two-thirds (2/3) or more of the total number of votes which all members of the association are entitled to cast, and in such case the surplus, reserves and undivided profits shall be retained and disposed of in accordance with such plan. (As amended by act approved July 11, 1957.)

Section 4-6. Permanent Reserve Shares—Advertising; Sale; Collection of Subscriptions.)

(a) All prospectuses and advertising matter regarding the subscription for permanent reserve shares shall include a statement to the effect that such permanent reserve shares are not insured.

(b) No association shall pay to any person any commission or other compensation for obtaining any subscription to or sale of permanent reserve shares.

(c) The board of directors shall establish a separate account to receive all funds paid in for permanent reserve shares, and shall maintain such account until further action is authorized as follows:

(1) When the aggregate amount of such funds equals or exceeds the amount of the minimum initial permanent reserve capital which the association must obtain, and either the board of directors has decided by resolution to proceed under the permanent reserve share plan, or one year has elapsed from the date on which the issuance of permanent reserve shares was authorized and the board has taken no action, then the separate account may be terminated and the funds may be transferred to the association's general account.

(2) If the aggregate amount of such funds fails to reach the amount of the minimum initial permanent reserve capital which the association must obtain and one year has elapsed from the date on which the issuance of permanent reserve shares was authorized; or if the board of directors, within such one year period, has decided by resolution to abandon the permanent reserve share plan; then the funds in the separate account shall be returned to the respective subscribers and shall not become a liability of the association or its officers or directors. (As amended by act approved July 11, 1957.)

Section 4-7. Retirement or Reduction of Permanent Reserve Capital.)

(a) The board of directors of an association operating with permanent reserve capital may propose an amendment to the articles of incorporation providing for the retirement of all of the permanent reserve capital, and a detailed plan for effectuating such amendment. The resulting capital of the association shall be not less than the minimum initial

capital which the association, if it were being organized, would be required to have under the provisions of this Act concerning Applicants and Initial Capital. The proposal shall be submitted to the Director for his approval.

(b) If the Director approves the proposal, the association's board of directors may request in writing an appraisal of the value of the permanent reserve shares; and the Director then shall cause such an appraisal to be made, allowing proper credit to such shares from the association's segregated surplus, if any exists, and from other reserves and undivided profits. The value of the permanent reserve shares so determined may be considered in the further proceedings under this section.

(c) The proposal then may be submitted to the members at an annual or special meeting. It shall be adopted upon receiving in the affirmative the votes of the holders of two-thirds or more of the outstanding permanent reserve shares, and also two-thirds or more of the total number of votes which all other members of the association are entitled to cast thereon. The proposal shall become effective upon completion of the procedure provided in this Act for the amendment of articles of incorporation.

(d) An association may amend its articles of incorporation, in accordance with the procedure provided in this Act for such amendments, to reduce its permanent reserve capital, but in no event to an amount which is less than the minimum permanent reserve capital which the association would be required by this Act to issue if it were newly authorized to issue permanent reserve capital. (As amended by act approved July 24, 1959.)

Section 4-8. Issuance, Delivery and Transfer of Certificates and Account Books.)

(a) Every capital account shall be evidenced by one or more appropriate certificates; and either such certificates or an account book, or both, shall be delivered to the holder of such account. The wording, type, and form of the certificates and account books issued by an association shall be subject to the approval of the Director.

(b) The holder of a withdrawable capital account may transfer his rights therein absolutely or conditionally to any other person eligible to hold the same, by written assignment accompanied by delivery of the appropriate certificate or account book; but notwithstanding the effectiveness of such a transfer between the parties thereto, the association may treat the holder of record as the owner of the account for payment, voting, and all other purposes until such assignment and any accompanying certificate or account book have been received by the association with a request for the transfer on the association's records.

(c) Withdrawable capital certificates, account books, and any other evidences of membership shall

be nonnegotiable and not subject to the Uniform Stock Transfer Act. Permanent reserve share certificates shall be subject to the provisions of the Uniform Stock Transfer Act.

(d) All withdrawable capital certificates and account books, delivered to the holders as prescribed by this article, shall be subject to attachment and execution as provided by the laws of this State, and the association shall not be subject to garnishment proceedings concerning any capital account, except with respect to a certificate or account book in the association's possession, and when

(1) Neither a certificate nor an account book has been delivered to the holder as required by this section, or

(2) The certificate and account book (or either of them if only one has been delivered) have been returned to the association's possession.

(e) If the holder of a withdrawable capital account, or the personal representative of any such person, shall file with the association an affidavit to the effect that his account book or certificate has been lost or destroyed, and that such account book or certificate has not been pledged or assigned either in whole or in part, then such association may issue a substitute account book or certificate in the name of such holder, with a statement therein that such account book or certificate is issued in lieu of the one lost or destroyed. The association shall not be liable thereafter with respect to the original account book or certificate; but the board of directors may require a bond in sufficient amount to indemnify the association against any loss which might result from the issuance of such substitute account book or certificate. (As amended by act approved July 24, 1959.)

Section 4-9. Who May Hold Capital and Membership.) Withdrawable capital accounts, permanent reserve shares, and membership in an association, may be held:

(a) By any individual in his own right, regardless of his age or marital status, or by two or more of such individuals;

(b) By a fiduciary, when authorized by law;

(c) By a government or governmental instrumentality when authorized by law;

(d) By any corporation or other person as defined in this act when not prohibited by law. (As amended by act approved July 11, 1957.)

Section 4-10. Joint Account; Trust Account; Payment on Death Account.)

(a) If two or more persons opening or holding a withdrawable capital account shall execute a written agreement with the association or federal association providing that the account shall be payable to any or the survivor of them, the account, and any balance thereof which exists from time to time, shall be held by them as joint owners with right of survivorship and, unless otherwise agreed, any payment by the association or federal association to any

of such persons shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. A pledge of such account by any holder or holders including minors authorized to withdraw amounts from such accounts shall, unless otherwise specifically agreed, be a valid pledge and transfer of the account and shall not operate to sever or terminate the joint and survivorship ownership of all or any part of the account.

(b) If one or more persons opening or holding a withdrawal capital account shall execute a written agreement with the association or federal association providing that the account shall be held in the name of such person or persons as trustees for one or more persons designated as beneficiaries, the account and any balance thereof which exists from time to time, shall be held as a trust account and unless otherwise agreed between the trustees and the association or federal association:

(1) Any such trustee during his lifetime may change any of the designated beneficiaries by a written direction accepted by the association or federal association; and

(2) Any such trustee may withdraw or receive payment in cash or check payable to his personal order and any payment or withdrawal shall constitute a revocation of the agreement as to the amount withdrawn; and

(3) Upon the death of the last surviving trustee the person or persons designated as beneficiaries who are living at the death of the last surviving trustee shall be the holders of the account (as joint owners with right of survivorship if more than one) and any payment to the holder or any of such holders shall be a complete discharge of the association's or federal association's obligation as to the amount so paid.

(c) If a person opening or holding a withdrawable capital account shall execute a written agreement with the association or federal association providing that on the death of the person named as holder, the account shall be paid to or held by another person or persons, the account, and any balance thereof which exists from time to time, shall be held as a payment on death account and unless otherwise agreed between the persons opening the account and the association or federal association:

(1) Upon the death of the holder of the account, the person or persons designated by him and who have survived him shall be the owners of the account (as joint owners with right of survivorship if more than one) and any payment made by the association or federal association to any of such persons shall be a complete discharge of the association's or federal association's obligation as to the amount paid; and

(2) The person to whom such account is issued may change during his lifetime the designation of any of the persons who are to be holders at

his death, by a written direction accepted by the association or federal association; and

(3) The person to whom such account is issued may withdraw or receive payment and any payment made by the association or federal association shall be a complete discharge as to the amount paid.

(d) Whenever in any of the above situations, none of the beneficiaries of a trust account and none of the persons designated to hold on death in a payment on death account, survive the last trustee or person to whom the payment on death account is issued, the account, and any balance thereof which exists from time to time, shall be held by the trustee or holder of the account in his own right, unless it is otherwise agreed.

(e) No addition to any account, nor withdrawal, payment, revocation, or change of beneficiary or payee shall affect the nature of the account as a joint account with right to survivorship, trust account, or payment on death account.

(f) Any association or federal association may continue to recognize the authority of an attorney authorized in writing to manage or to make withdrawals either in whole or in part from the withdrawable capital account of a member until it receives written notice or actual notice of the death or adjudication of incompetency of such member or revocation of the authority of such attorney. Any payment by the association or federal association to an attorney prior to receipt of such notice shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. (As amended by act approved August 14, 1961.)

Section 4-11. Effect of Payment to Minor or Fiduciary.) Unless the written agreement provides otherwise, or unless the association or federal association has had written notice of the terms under which a fiduciary holds a withdrawable capital account, the association or federal association may make loans on the security of withdrawable capital accounts or pay the value thereof and dividends thereon:

(a) To any minor who is a holder of such withdrawable capital account;

(b) To such fiduciary who is the holder of such account without becoming liable to any beneficiary for such payment.

In each of the foregoing instances the receipt or acquittance of the person or persons to whom payment is made in accordance with the provisions of this section shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. In the case of a minor, the receipt, acquittance, pledge or other action required by the association to be taken by the minor shall be binding upon such minor with like effect as if he were of full age and legal capacity. (As amended by act approved August 14, 1961.)

Section 4-12. Payment on Incompetency or Death of Holder in His Own Right of Withdrawable Capital.)

(a) If the holder in his own right of a withdrawable capital account becomes incompetent and adjudication thereof has been made by a court of competent jurisdiction, then the association may pay the value of such withdrawable account and dividends thereon:

(1) To the conservator of such holder in his own right upon his appointment and qualification;

(2) In the case of small estates as defined in the Probate Act where the appointment of a conservator is unnecessary, then to the persons entitled thereto in accordance with the provisions of the Probate Act.

Until the association has actual knowledge that such holder has been adjudicated incompetent, it may pay to him personally and his receipt or acquittance therefor shall be a complete discharge of the association as to the amount so paid.

(b) Upon the death of a holder in his own right of a withdrawable capital account the association upon receipt of proper inheritance tax waivers may pay the value thereof and dividends thereon:

(1) To the personal representative of such deceased holder if and when qualified, in the manner provided in this Act for the voluntary withdrawal of accounts generally.

(2) In the case of small estates as defined in the Probate Act where no personal representative is appointed, then to the persons entitled thereto in accordance with the provisions of the Probate Act.

(3) After one year from the date of decedent's death, where no personal representative has been appointed and no action has been taken to obtain payment as in the case of small estates under the Probate Act, the association in its discretion may make payment to the surviving spouse or next of kin of the holder or other persons entitled thereto as in the case of small estates as provided in the Probate Act; and the association shall not become liable to any personal representative of the decedent thereafter appointed, but the directors may require a bond to indemnify the association against loss by reason of such payment.

Section 4-13. Voluntary Withdrawal of Capital Accounts.)

(a) A holder of withdrawable capital may make application for withdrawal of, and the association may pay, all or any part of the withdrawal value thereof at any time.

(b) If the association has insufficient funds in the treasury and from current receipts to pay all

matured accounts and applications for withdrawal, within 30 days after such accounts mature or payment is requested, then the board of directors shall provide by resolution:

(1) The amount of money available in each calendar month to pay maturities and withdrawals, in accordance with safe and required operating procedure; but after making provision for expenses, debts, obligations, and cash dividends on capital accounts, due or to become due, not less than 50% of the remainder of such treasury funds and current receipts shall be made available for the payment of withdrawals and maturities;

(2) For a list of matured capital accounts in order of maturity, and if in the same series, in order of issuance in such series; and also of applications for withdrawals in chronological order of filing. Separate lists may be established for such purposes, in which event the resolution shall provide the proportion of available money which shall be applied to each list;

(3) For a maximum sum, which shall not exceed \$1,000, which may be paid to any one holder at any one time; and if any holder's application for withdrawal or for payment of matured shares exceeds the sum so fixed, then he shall be paid in his turn the sum so fixed, and his application, reduced by such payment, shall be deemed refiled in its order as if filed on the date of such payment. Such limited payment may be made on a fixed date in each month and such refiled and renumbering, as the case may be, may take place on the same date in each subsequent month as long as any applications remain unpaid;

(4) For a maximum sum, which shall not to exceed \$200, which may be paid on any application for withdrawal or to any one holder of matured shares in any calendar month, regardless of the order of application.

(c) Withdrawable capital pledged as sole security for a loan shall be subject to the withdrawal provisions of this section, but amounts available for payment on the application for withdrawal shall be applied first to the repayment of the loan balance.

(d) Withdrawable capital may be accepted by the association in payment or part payment for any real estate or other assets owned by the association; but if the association has a list of withdrawals or maturities, such sale of assets shall be to the highest bidder, and at least 10 days notice of the proposed sale shall be given by mail to all holders of withdrawable or matured capital whose names appear on the withdrawal or maturity list.

(e) No holder shall have more than one application for withdrawal in effect at any one time; but a holder may cancel his application or reduce the amount thereof at any time as to any amount not yet paid.

(f) The holder of withdrawable capital for which application for withdrawal has been made, does not become a creditor by reason of such application.

(g) The board of directors of any association operating on the serial plan or with regular installment or prepaid shares on which dividends have not been credited directly to the share accounts, may determine by resolution the portion of profits which may be paid to withdrawing members.

(h) An association while operating under this Section may accept additional withdrawable capital from its present shareholders as well as accept new withdrawable capital accounts and such withdrawable capital accounts shall not be subject to the provisions of subsection (b) of this section but shall be subject to withdrawal at will so long as the association is operating under the provisions of subsection (b) of this section. (As amended by act approved July 9, 1959.)

Section 4-14. Maturity of Shares.)

(a) When a regular installment or prepaid share reaches maturity value by reason of payments or dividend credits, or both, all payments thereon by the holder shall cease. The association either shall pay to the holder the maturity value of such share, in accordance with the provisions of this article, or shall mail a notice to the holder at his last known address as it appears on the association's records, to the effect that he is entitled to receive payment for such share or to transfer the same or such portion thereof as the directors may specify, into other withdrawable capital, and that if he takes neither action within sixty (60) days after the date on which such notice is mailed, the value of such share may be held in a creditor account without interest or dividends, available for the holder upon his application, or the board of directors may transfer such share to another withdrawable account of equivalent value on which dividends shall accrue as on a new account opened on the transfer date.

(b) If the association has insufficient funds to make immediate payment upon the date of maturity of any shares, such shares shall be listed in the order of their respective dates of maturity, and shall be paid in the manner provided in the section of this article concerning Voluntary Withdrawal of Capital Accounts. Shares in the same series maturing on the same date shall be listed, as of such date, in the order in which they were issued in that series. From the date of maturity until payment, dividends shall be apportioned to such matured shares at a rate to be determined by resolution of the board of directors. Dividends so apportioned shall be accumulated to the credit of such shares and shall be paid to the holder at the time when the shares are paid. However, the rate of such dividends shall not exceed the highest rate being currently apportioned to any other shares.

Section 4-15. Enforced Retirement of Withdrawable Capital Accounts.)

(a) The board of directors, when authorized by the by-laws, and in conformity with the provisions of this section and of the by-laws, may retire any withdrawable capital accounts which have not been pledged as security for loans by enforcing the retirement thereof.

(b) A thirty (30) day notice of such enforced retirement shall be given to the holder of an account to be retired, and after the end of such thirty (30) day period, the holder shall not be entitled to further dividends, but shall be paid the full withdrawal value of his account as determined at the last preceding apportionment of profits, plus all payments made since such apportionment, and plus such additional dividends as the board of directors may determine to be equitable and within the earning rate of the association for the period which has elapsed since the last preceding apportionment of profits, but less any unpaid charges. However, all accounts upon which applications for voluntary withdrawal have been received, and all shares which have matured, shall be paid first in accordance with the provisions of this article.

Section 4-16. Authorized Charges Applicable to Members.)

(a) An association may charge an initial membership fee and a fee for transfer of membership or capital, but no such fee shall exceed twenty-five cents (25c) per share or per one hundred dollars (\$100) of the account.

(b) The association's by-laws may provide for a charge or penalty for the non-payment when due, of agreed payments on capital accounts, and of installments, interest, or premiums on loans; but no such charge or penalty shall exceed the sum of two cents (2c) per dollar of the amount payable in any one month, and no such charge or penalty shall be either compounded or cumulated. However, if a loan has been predicated on a membership entitling the borrowing member to a vote of one share, no such charge or penalty shall exceed the sum of five cents (5c) per month per dollar of the amount payable, or in lieu thereof such further interest charge as may be provided in the loan contract.

(c) All fees, charges, and penalties collected shall be accounted for as a part of the receipts of the association. (As amended by act approved July 11, 1957.)

Section 4-17. Capital Accounts Subject to Liens.)
Every withdrawable capital account shall be subject to a lien for the payment of such charges as lawfully may accrue thereon under the provisions of this Act, and the by-laws may prescribe the manner of enforcing such lien; but no member shall be responsible for any losses which the then existing assets of the association shall not be sufficient to satisfy, or for any unpaid installment upon his account which is not yet due under the terms of his subscription.

Section 4-18. Apportionment of Profits.) The board of directors shall apportion the profits of the association, at least annually and as much more often as the by-laws may prescribe; and each apportionment shall be made in accordance with the following procedure:

(a) A proper allocation first shall be made to the contingent reserve and to any other reserve required by the section of this article concerning Reserves.

(b) Additional allocations then may be made to such special reserves as the board of directors may have established in accordance with the section of this article concerning Reserves.

(c) Dividends then may be declared, first on withdrawable shares and share accounts and thereafter on permanent reserve shares, in accordance with the provisions of this Act and the by-laws.

(d) The residue of such profits may be held as "undivided profits", subject to use in the same manner as profits generally; but except upon prior approval by the Director the total amount of "undivided profits" at no time shall exceed 5% of the aggregate withdrawal value of the association's withdrawable capital. (As amended by act approved July 24, 1959.)

Section 4-19. Reserves.)

(a) Each association shall have a contingent reserve to which the board of directors shall allocate such portion of the association's profits as the board may determine; except that whenever the total amount of such reserve together with special reserves for losses and the insurance reserve of an insured association is less than $7\frac{1}{2}\%$ of the aggregate withdrawal value of the association's withdrawable capital accounts, the allocation to such contingent, special reserve or the insurance reserve of an insured association upon each apportionment of profits shall total not less than 10% of the profits being apportioned, or such lesser portion as will increase the aggregate of such reserves to the required total amount.

(b) The board of directors may establish and maintain such special reserves as they may deem advisable, to provide for losses or liabilities; the contingent reserve, or any of such special reserves, may be designated as the insurance reserve for an insured association, or transfers from such reserves in whole or in part may be made to the insurance reserve; and losses may be charged to such reserves as the board of directors may determine.

(c) In addition to the foregoing reserves, an association operating under a bonus plan, as authorized by the section of this Act concerning Bonus Plans, shall establish and maintain a bonus reserve in such an amount as will be sufficient to satisfy the obligations of such plan; and any excess amount in said reserve may be transferred from time to time to undivided profits. (As amended by act approved August 14, 1961.)

Section 4-20. Dividends.)

(a) Subject to the restrictions set forth in this section and the association's by-laws, the board of directors from time to time may determine the rate and amount of dividends to be paid on capital, and for that purpose may establish reasonable classifications of withdrawable capital accounts, based on (1) types or classes of such accounts, or (2) the length of time accounts are continued in effect, or (3) size of initial payments on accounts, or (4) minimum balances of accounts during apportionment periods, or (5) frequency and extent of the activity of accounts, or (6) such other classifications as the Director may approve; and the Director is authorized to prepare model plans of classifications for adoption by associations.

(b) However, the declaration of dividends on capital shall be subject to the following restrictions:

(1) No dividends shall be declared when the total amount of the contingent reserve is less than that required by the section of this Act concerning Reserves, unless the allocation provided by said section has been made.

(2) Regardless of any dividend rate to which any class of withdrawable share account is entitled, by limitation as expressed in the appropriate certificate or account book, or by action of the board prior to the date of the dividend declaration, no dividend shall be declared on such class which exceeds the dividend rate currently declared on withdrawable share accounts which are unlimited as to participation in dividends.

(3) The rate of dividend allocated to withdrawable share accounts which according to their terms are unlimited as to participation in dividends, shall not exceed by more than 1% the rate of dividends allocated to the class of share accounts which is entitled to the highest limited rate of participation, unless the total withdrawal value of such unlimited accounts is more than 20% of the aggregate withdrawal value of all withdrawable capital of the association, or unless the association has discontinued the issuance of unlimited accounts, or unless unlimited accounts are being offered and made available for issuance without discrimination.

(4) No dividends shall be declared on permanent reserve shares until after payment or provision has been made for all expenses, losses, required reserves, and dividends on withdrawable capital; or at a time when the par value of all the permanent reserve shares outstanding, all undivided profits, and all reserves available for losses, total less than 5% of the aggregate withdrawal value of the association's withdrawable capital, or when the payment of such a dividend would reduce such total amount to less than such 5%. However, a stock dividend may be declared out of undivided profits at any time.

(c) A dividend need not be allocated to any share account, other than a regular installment share

account, which has a withdrawal value of less than \$10 on the record date with respect to which the dividend is paid; and no allocation need be made to a share account which by written agreement will be closed within 15 months of the date on which such account is opened.

(d) The board of directors shall determine by resolution the method of calculating the amount of any dividend on withdrawable capital, and the date on which the same is to be declared or credited; but no payment or credit shall be made more than 10 days before the end of any apportionment period. (As amended by act approved July 24, 1959.)

Section 4-21. Bonus Plans.) For the purpose of encouraging thrift, systematic savings, and long term investment, the board of directors may establish by resolution bonus plans for holders of withdrawable capital accounts; and the board then shall transfer from the periodical profits of the association additional amounts to a bonus reserve as provided in the section of this Article concerning Reserves, from which reserve payments to holders complying with such plans shall be paid. Every bonus so paid shall be deemed a premium and shall not be construed as a dividend. The bonus plans shall be in accordance with the following provisions:

(a) The holder shall agree to make regular payments at least monthly, of any predetermined amount, until the payments together with dividends apportioned thereto equal two hundred (200) times the agreed monthly payment and without a delay of more than sixty (60) days in any payment, without a prepayment of more than twelve (12) months and without making application for withdrawal of all or any part of the account. At the end of the bonus period, the holder shall receive, in addition to the regular monthly payments and dividends apportioned thereto, a bonus at the rate of one per cent (1%) per annum computed on the withdrawal value of the account at each apportionment of profits. However, if the holder shall apply for withdrawal of his account in part or in full or shall fail to meet any and all the other terms of his bonus agreement after such account, including dividends apportioned thereto, has reached:

(1) At least fifty (50) but less than one hundred (100) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive one-fourth ($\frac{1}{4}$) of the bonus allocable to such account;

(2) At least one hundred (100) but less than one hundred fifty (150) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive one-half ($\frac{1}{2}$) of such bonus allocable to such account;

(3) At least one hundred fifty (150) but less than two hundred (200) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to re-

ceive three-fourths ($\frac{3}{4}$) of such bonus allocable to such account.

(b) The holder shall subscribe to a long-term investment plan providing that if he maintains in his account an agreed balance (1) if for a period of four (4) years, he shall be paid a bonus of an agreed rate not to exceed one-half of one per cent per annum, or (2) if for a period of eight (8) years, he shall be paid a bonus of an agreed rate not to exceed one per cent per annum. The plan may state the minimum and maximum balances on which a bonus may be paid.

(c) If the association effects an enforced retirement of an account which is under a bonus plan before the bonus becomes payable according to the plan, the portion of the bonus reserve allocable to the account shall be paid to the holder.

(d) Other Bonus Plans. Any bonus plan other than those provided for by paragraph (b) of this Section may be established for the purpose of encouraging thrift, systematic savings or long-term investment upon approval by the Director of Financial Institutions by general regulation, except that any such other bonus plan so approved shall not allow a bonus in excess of that allowed for Federal associations. (As amended by act approved August 14, 1961.)

ARTICLE 5—Investments.

Section 5-1. Investment in Obligations of Members.) An association may loan funds to members as follows:

(a) On the security of withdrawable capital accounts, but no such loan shall exceed the withdrawal value of the pledged account;

(b) On the security of real estate:

(1) Of a value, determined in accordance with the section of this Act concerning Appraisals, sufficient to provide good and ample security for the loan; and

(2) With a fee simple title which is unencumbered except as permitted in the section of this Article concerning Real Estate Encumbrances; or

(3) A leasehold title of not less duration than 14 years beyond the maturity of the loan; and

(4) With the title established by such evidence of title as is consistent with sound lending practices in the locality; and

(5) With the security interest in such real estate evidenced by an appropriate written instrument and the loan evidenced by a note, bond or similar written instrument. A loan on the security of the whole of the beneficial interest in a land trust shall be deemed to satisfy the requirements of this paragraph if the title to the land is held by a corporate trustee and if the real estate held in the land trust meets the other requirements of this subsection.

(c) For the purpose of repair, improvement,

rehabilitation, or equipment of real estate. However, any such loans which are not secured, guaranteed, or insured, as provided in this section, (1) shall be limited to \$3,500 each, exclusive of legal and financing charges; (2) shall be repayable over a period of 5 years or less, in substantially equal installments not less frequent than semi-annual; and (3) shall not be made if the resulting aggregate unpaid balances of all of such loans would exceed 20% of the association's total assets;

(d) Through the purchase of loans which at the time of purchase the association could make in accordance with the provisions of this section and by-laws;

(e) Through the purchase of installment contracts for the sale of real estate, and title thereto which is subject to such contracts, but in each instance only if the association at the time of purchase could make a mortgage loan of the same amount and for the same length of time on the security of such real estate;

(f) Through loans guaranteed or insured, wholly or in part by the United States or any of its instrumentalities, and without regard to the limits in amount and terms otherwise imposed by this Article;

(g) On the security of any of the above authorized investments. (As amended by act approved August 14, 1961.)

Sec. 5-2. Other Investments.) If the board of directors determines at any time that funds are available in excess of the demands and needs of members for loans, maturities and withdrawals, an association may invest such funds as specified in Section 5-2.1 to 5-2.10, inclusive. (As amended by act approved August 14, 1961.)

Sec. 5-2.1. Subject to Section 5-2, an association may invest in withdrawable capital of any state or Federal Association which is a member of an insurance corporation as defined in this Act. (As amended by act approved August 14, 1961.)

Sec. 5-2.2. Subject to Section 5-2, an association may invest in participating interests in mortgage loans of a type which the association would be authorized to make, if the other participants are associations or corporations insured by an instrumentality of the United States, or are instrumentalities of or corporations owned wholly or in part by the United States or this State. (As amended by act approved August 14, 1961.)

Sec. 5-2.3. Subject to Section 5-2, an association may invest in obligations of or fully guaranteed by the United States; in stocks or obligations of Federal Home Loan Banks; in stocks or obligations of the Federal National Mortgage Association. (As amended by act approved August 14, 1961.)

Sec. 5-2.4. Subject to Section 5-2, an association may invest in bonds or other direct obligations of or guaranteed as to principal and interest by this State. (As amended by act approved August 14, 1961.)

Sec. 5-2.5. Subject to Section 5-2, an association may invest in obligations which by the laws of this State are made legal investments for savings and

loan associations. (As amended by act approved August 14, 1961.)

Sec. 5-2.6. Subject to Section 5-2, an association may invest in bonds or other evidences of indebtedness which are direct general obligations of any county, city, town, village, school district, sanitary district, park district, or other political subdivision or municipal corporation of this State, or in bonds or other evidences of indebtedness which are payable from revenues or earnings specifically pledged therefor of the county or an adjoining county or a political subdivision or municipal corporation of the county in which the business office of the association is located or an adjoining county, but in no event shall the total amount of such securities of any one maker or obligor exceed 2% of the association's total assets nor shall the aggregate amount of investments under this Section exceed 15% of such total assets. (As amended by act approved August 14, 1961.)

Sec. 5-2.7. With the approval of the Director and subject to Section 5-2, an association may invest in the initial purchase and development, or the purchase or commitment to purchase after completion, of home sites and housing for sale or rental, including (without being limited to) projects for the reconstruction, rehabilitation, or rebuilding of residential properties to meet the minimum standards of health and occupancy prescribed by appropriate local authorities, and the provision of accommodations for retail stores, shops, and other community services which are reasonably incident to such housing projects; or in the shares of a corporation which owns one or more of such projects and which is wholly owned by one or more financial institutions whose investments are regulated by the laws of this State or of the United States. The association's aggregate investment under this Section shall not exceed 10% of its total assets, and no association shall make an investment of this type unless it has reserves and undivided profits, or permanent reserve capital, totaling at least 5% of the aggregate withdrawal value of the association's withdrawable capital. The Director shall approve the investment only if the association shows:

(1) That the association has adequate assets available for such an investment; and

(2) That the proposed investment does not exceed the reasonable normal value of the property or interest therein; and

(3) That there is a reasonable probability of such investment being profitable; and

(4) That unless the proposed project meets the requirements of paragraph (5) of this Section, the proposed project does not include the construction of dwellings designed for occupancy by 4 families or less; except that in the event the home sites or any portion of a project are not sold within a reasonable time after same have been made available for sale (such period of time to be determined upon application to the Director) such project or portion thereof may be further developed as hereinabove provided; and

(5) That the proposed project is to be located in an area, including any contiguous area

acquired incidental thereto, determined by the Director to be an urban renewal, redevelopment, blighted, conservation area, or any other similar area provided for by the laws of the United States, the State of Illinois or local ordinances for slum clearance, conservation, blighted area redevelopment, urban renewal, or of a similar nature or purpose and in the event of such determination by the Director, the provisions of paragraph (4) of this Section shall not be applicable; and

(6) That all other requirements of this Section have been met.

Nothing herein contained shall prohibit an association from developing or building on land acquired by it under any other provision of this Act, nor shall an association be prohibited from completing the construction of buildings pursuant to any construction loan contract where the borrower has failed to comply with the terms of such contract; nor shall any amendment to this Section have a retroactive effect upon any project initiated prior to July 23, 1959, as evidenced by any contract, option, or application to the Director in accordance with the terms of this Section prior to July 23, 1959, nor to any revision or change in the terms of such application requested by the Director prior to his approval. (As amended by act approved August 14, 1961.)

Section 5-2.8. Subject to Section 5-2, an association may invest in marketable investment securities, but in no event shall the total amount of such securities of any one maker or obligor exceed 2% of the association's total assets, nor shall the aggregate amount of investments under this Section exceed 15% of such total assets. As used in this Section, the term "marketable investment securities" does not include stocks, but means marketable obligations evidencing indebtedness of any person in the form of bonds, notes, or debentures commonly known as investment securities, and of a type customarily sold on recognized exchanges or traded over the counter. (As amended by act approved August 14, 1961.)

Section 5-2.9. Subject to Section 5-2, an association may invest in stocks or obligations of business development corporations chartered by this state or by the United States or an agency thereof, but in no event shall the aggregate amount of stock exceed $\frac{1}{2}\%$ of the aggregate withdrawal value of the association's withdrawable capital or \$250,000 whichever is less. (As amended by act approved August 14, 1961.)

Section 5-2.10. Subject to Section 5-2, an association may invest in obligations of urban renewal investment corporations chartered under the laws of this state, or the United States, or in certificates of beneficial interest of urban renewal investment trusts, but in no event shall the aggregate amount of such stock, obligations or beneficial interest certificates of any one maker exceed 2% of the association's total assets, nor shall the aggregate amount of investments under this section exceed 5% of such total assets. (As amended by act approved August 14, 1961.)

Section 5-3. Real Estate Encumbrances.)

(a) Real estate is encumbered within the meaning of this article unless the security instrument establishes a first lien upon such real estate.

(b) Real estate is not encumbered within such meaning merely by reason of the existence of (1) instruments reserving rights-of-way, sewer rights, or rights in wells; or (2) building restrictions or other restrictive covenants; or (3) a lease under which rents or profits are reserved by the owners; or (4) current taxes or assessments not yet payable; or (5) other encumbrances which, in accordance with sound lending practices in the locality, are not regarded as constituting defects in real estate titles.

(c) A loan may be made under this article on real estate which is subject to a prior lien or other encumbrance which is owned by or exists in favor of the association; or to a prior lien the full amount of which is deducted from the amount of the loan and retained by the association to pay such lien, or which is fully provided for in the closing of the loan transaction.

Section 5-4. Lending Plans.) The board of directors may specify the terms on which loans to members will be made, including (but not limited to) the following lending plans:

(a) **Direct Reduction of Principal:** Such plan shall provide for regular payments which will completely amortize the indebtedness, including principal, interest, or interest and premium, advances, and other charges authorized by this Act, with payments to be made in such amount or amounts and at such time or times as may be agreed upon. If the loan is to be repaid on the monthly direct reduction of principal plan, the balance shall be determined monthly, and interest or interest and premium may be charged on the preceding monthly balance at one-twelfth of the annual rate, and added to such balance, together with any advances made by the association; and from such total indebtedness, payments made by the borrower shall be deducted, and such payments shall be applied first to interest or interest and premium. If the loan is being repaid on a direct reduction plan with payments made less often than monthly, but at least semi-annually, interest or interest and premium shall be charged at one-twelfth of the annual rate multiplied by the number of the months elapsed since the date of the last payment; and interest or interest and premium on an advance made may be charged from the first day of the month during which the advance was made; or if the advance was made after the fifteenth day of the month, interest or interest and premium may be charged as of the first day of the succeeding month; but such interest or interest and premium shall not be compounded.

(b) **Share Accumulation Plan:** Such plan shall provide for the subscription to shares the matured value of which in even shares shall be not less than the amount of the loan. Interest shall be charged on such loan until the accumulation on the shares, consisting of payments and dividends less

charges, if any, authorized by this Act, shall equal the amount loaned, whereupon the shares shall be cancelled against the loan balance, and the loan shall be considered repaid. The plan may provide further for repayment through the application of shares, or cash and shares, as the board of directors may determine.

(c) **Gross Charge and Discount Plan:** Property improvement loans and loans the duration of which is 5 years or less, and the amount of each of which does not exceed \$3,500, exclusive of legal and financing charges, may be repaid under a gross charge or discount method, but in the event of repayment in full prior to maturity, the association shall make a rebate at a rate not less than 6% per annum of the amounts so paid in advance of their due dates if the financing charge applicable to the loan is in an amount equivalent to \$5.00 discount per \$100 original face amount of a one-year note, and if a greater or lesser charge has been taken, the rebate shall be at not less than a proportional rate.

(d) **Insured or Guaranteed Loans:** Loans insured or guaranteed wholly or in part by the United States or any instrumentality thereof may be made and repaid in accordance with the applicable Federal law and regulations.

(e) **Straight Mortgage Loans:** Loans of a type which may be made on an installment basis, also may be made and repaid without full amortization; but no such loan shall be made for a term exceeding 5 years, or in an amount exceeding 50% of the appraised value of the security, except that a loan may be made in an amount not exceeding 60% of such value if the term is not more than 3 years, or in an amount not exceeding 80% of such value if the term is not more than 18 months. Interest on such loans shall be payable not less often than semi-annually. No association shall make such straight mortgage loans if the resulting aggregate unpaid balances of all of such loans would exceed 15% of the association's total assets. (As amended by act approved August 14, 1961.)

Section 5-5. General Loan Contract Provisions.)

(a) Each loan, and any agreement for securing the same, shall be evidenced by one or more written instruments, consistent with sound lending practices in the locality; and whenever recording of such an agreement is necessary to establish priority over the claim of any third party, the agreement shall be recorded.

(b) The loan contract terms shall afford full protection to the association, and shall include, among other things, provision for:

(1) The payment of taxes, assessments, other governmental levies, maintenance and repairs, granting the association the right to make payments thereon or for any other item which, if unpaid, would create a lien prior to that of the loan contract;

(2) Adequate insurance to cover the usual risks on the property offered as security for the loan, and in such form, coverage, and amounts

and in such company or companies as the board of directors may approve;

(3) The right to prepay the loan in whole or in part at any time, but the association may require payment of not more than 6 months' advance interest on that part of the aggregate amount of all prepayments on a loan in one year, which exceeds 20% of the original principal amount of the loan.

(c) The loan contract may provide for:

(1) An assignment of rents;

(2) Life insurance to be assigned as additional collateral, in which event the association shall obtain a first lien upon the policy;

(3) A single premium to be paid in advance or deducted from the loan balance, but if the loan is written on the direct reduction of principal plan to amortize the indebtedness in more than 4 years and the premium exceeds 4% and the loan is repaid prior to the expiration of 4 years from the date of its making, the association shall refund one-fourth of the premium in excess of said 4% for each year of the said 4 years then unexpired;

(4) Additional or future advances to be made at the option of the parties up to a total amount stated in the recorded security instrument;

(5) Regular periodical payments to create a fund in the association to pay when due all taxes, assessments, insurance premiums, ground rents, and other current charges against the real estate security, and the application or crediting of such payments;

(6) Any other covenant or agreement which the association may deem necessary or which is customary in the locality.

(d) If any payment required to be made by the borrower to discharge the performance of any obligation under the loan contract, is not made, or if any fund created for such payment is insufficient to discharge the obligation completely, the association may advance the same and add the required amount to the unpaid balance of the loan as of the first day of the month during which such advance was made and the advance and interest thereon shall be secured by the security instrument.

(e) The first payment on any regular installment loan other than a construction loan, insured loan, or guaranteed loan, shall begin not later than 60 days after the advance of the loan. The first payment on a loan insured or guaranteed shall be upon terms acceptable to the insuring or guaranteeing agency. The first payment on a construction loan shall be not later than 12 months after the date of the first disbursement. (As amended by act approved August 14, 1961.)

Section 5-6. Extension and Modification Agreements.)

(a) When the balance of a loan being repaid under the direct reduction of principal plan does not exceed forty per cent (40%) of the value of the security therefor, and the loan has been reduced by periodical payments over a period of not less than

three (3) years to the extent that the unpaid balance does not exceed fifty per cent (50%) of the amount originally secured, the board of directors may agree in writing with the borrower that for a period not to exceed three (3) years, no payments need be made on the unpaid principal amount of the loan; and the loan contract and the security instrument shall not be prejudiced by the making of such extension agreement, even if such an extension was not provided for in the loan contract. However, interest or interest and premium, taxes, assessments, insurance premiums, and other charges which the borrowing member is obligated to pay, shall be paid when due either to or for the benefit of the association. No such extension shall be granted at a time when the association has insufficient funds to pay all withdrawable capital accounts which have matured or have been listed for voluntary withdrawal.

(b) The association at any time may enter into a written agreement with the borrower to modify, in any manner not inconsistent with the provisions of this Act, the terms of a loan as to the amount, time, or method, of the payments to be made, the interest rate, and any other provision of the loan contract; and the loan contract and the security instrument shall not be prejudiced by the making of any such modification, even if such a modification was not provided for in the loan contract.

Section 5-7. Sale, Assignment, and Servicing of Loans and Contracts.)

(a) No association shall engage in the mortgage brokerage business; but any association may sell any loan or a participating interest in a loan at any time, in the usual and regular course of business, if the total amount of loans so sold by the association, including such sale, within the calendar year beginning January 1 immediately preceding the date of such sale, does not exceed 20% of the total amount of all loans held by the association at the beginning of such calendar year. All loans sold shall be sold without recourse. The Director may adjust the foregoing limitations upon the sale of loans, upon application showing an emergency need to pay withdrawals, or an emergency need for loans in the community or area of operation in which the association is located, such loans being in greater demand than the association currently is able to meet.

(b) An association may contract to service a loan or a participating interest in a loan originally made by the association and later sold, but such a contract shall conform to the pertinent regulations prescribed by the Director, and shall require sufficient compensation to reimburse the association for all expenses incurred under such contract.

(c) An association may sell and assign without recourse any master's certificate of sale, defaulted loan, or defaulted real estate contract, to any person eligible to purchase the same, for an amount not less than the fair cash market value thereof. (As amended by act approved August 14, 1961.)

Section 5-8. Purchase of Real Estate at Forced Sale.) An association may purchase, at any sheriff's or other judicial sale, either public or private, any real estate upon which the association has any mortgage, lien, or other encumbrance, or in which the association has any other interest. The association thereafter may repair, improve, sell, convey, lease, mortgage, exchange, or otherwise dispose of, real estate so acquired, in the best interests of the association, without limitation.

Section 5-9. Purchase of Real Estate for Office and Rental Purposes.) An association may acquire and hold real estate in fee simple, or leaseholds on which a building or buildings exist or are to be erected, suitable for the transaction of the association's business, and from portions of which, not required for the association's own use, revenue may be derived; or may own all or part of the capital stock, shares, or interest in any corporation, association, or trust, engaged solely in holding all or part of such real estate. However, the amount so invested shall not exceed five per cent (5%) of the association's total assets, unless the Director, upon a proper showing shall approved a larger amount consistent with the needs of the association's business and its immediate future expansion. (As amended by act approved June 4, 1957.)

Section 5-10. Usury Laws Inapplicable.) By reason of the cooperative nature of associations operating under this Act, no interest, premium, or interest on such interest or premium, or charge, which may accrue to an association under the provisions of this Act, shall be deemed to be usurious; and the same may be collected in the same manner as other debts in accordance with the laws of this State.

Section 5-11. Prohibited Loans.) No loan shall be made to a majority permanent reserve shareholder, officer, or director of an association issuing permanent reserve shares, either for himself or as agent, or as partner of another, except upon real estate occupied by such shareholder, officer, or director as a homestead, or upon the security of withdrawable capital; nor shall any loan be made by an association to any corporation of which a majority of the stock is owned or controlled individually or collectively by any one or more of the directors, officers, or majority permanent reserve shareholders of such association. (As amended by act approved July 11, 1957.)

Section 5-12. Effect of Unauthorized Investments; Liability of Officers.)

(a) Every loan or other investment made in violation of this Act shall be due and payable according to its terms, and the obligation thereof shall not be impaired.

(b) Every director or officer of an association who knowingly shall violate, participate in, or assent to, or who knowingly shall permit any of the officers or agents of the association to make, investments not authorized by this Act, shall be liable individually for all damage which the association or its members sustain in consequence of such violation.

Section 5-13. Appraisals.)

(a) Every appraisal or reappraisal of property which an association is required to make shall be made as follows:

(1) By an independent qualified appraiser designated by the board of directors; or

(2) By the association's appraisal committee appointed by the board of directors; or

(3) In the case of an insured or guaranteed loan, by any appraiser appointed by any lending, insuring, or guaranteeing agency of the United States or the State of Illinois, which shall insure or guarantee such loan, wholly or in part.

(b) Each appraisal shall be in writing with a certificate signed by the appraiser or appraisers, stating that he or they have personally examined the described property, setting forth the value of the land, and the nature and value of the improvements, if any; which appraisal shall be filed and preserved by the association.

Section 5-14. Acknowledgments.) No acknowledgment of a deed, mortgage, or other instrument shall be invalid because such acknowledgment was taken before an officer authorized by the laws of this State to acknowledge conveyances, who is also a member, director, employee, or officer of an association which is a party to such deed, mortgage, or other instrument.

ARTICLE 6—Voluntary Corporate Changes.

Section 6-1. Amendment of Articles of Incorporation.) An association may amend its articles of incorporation from time to time, in accordance with the procedure prescribed in this article; but the articles, as amended, shall conform to all legal requirements which pertain to original articles adopted at the time of such amendment. Any number of amendments may be submitted to the members, and voted upon by them, at one meeting.

Section 6-2. Procedure to Amend Articles of Incorporation.) The procedure to effect an amendment of articles of incorporation shall be as follows:

(a) The board of directors shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of the members, which may be an annual or a special meeting.

(b) The proposed amendment, or a summary of the changes to be effected thereby, shall be set forth in the notice of meeting mailed as prescribed in the section of this Act concerning Members' Meetings.

(c) The proposed amendment will be adopted upon receiving, in the affirmative, two-thirds or more of the total number of votes which all members of the association are entitled to cast, except that an amendment effecting a retirement of all permanent reserve capital must receive the vote specified in the section of this Act concerning Retirement or Reduction of Permanent Reserve Capital. A report of proceedings, verified by the president or a vice-president and attested by the secretary and

setting forth the notice given and time of mailing thereof, the amendment adopted, the vote thereon, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed promptly with the Director.

(d) Each adopted amendment shall be subject to the same inquiry by the Director as the corresponding provision in original articles of incorporation, including (but not limited to) the availability of a proposed new name of the association. If the Director approves an amendment, he shall issue to the association a certificate setting forth the amendment and his approval thereof. The amendment shall become effective when such certificate is recorded in the same manner as the association's articles of incorporation.

(e) No amendment of articles of incorporation shall affect any existing cause of action either in favor of or against the association, or any pending action in which the association shall be a party, or the existing rights of persons other than members of the association; and if the amendment has changed the name of the association, no action brought by or against the association under its former name shall be abated for that reason. (As amended by act approved July 24, 1959.)

Section 6-3. Existing Associations — Adoption of Articles and By-laws.) Any existing association the by-laws of which contain provisions enumerated in the section of this Act concerning Contents of Articles of Incorporation, at an annual or special meeting may amend its present charter, articles of incorporation, certificate of complete organization, or other instruments concerning organization, by adopting articles of incorporation containing the provisions enumerated in said section. Such adoption shall repeal the existing by-laws of the association without further action, and the board of directors shall adopt new by-laws in accordance with the provisions of this Act. The procedure to be followed in adopting or amending articles of incorporation shall be that prescribed in the preceding section.

Section 6-4. Merger — Adoption of Plan.) Any two or more associations operating under this Act or under Federal charter and located in this State may merge into one association operating under this Act. The board of directors of each merging association, by resolution adopted by a majority vote of all members of such board, must approve the plan of merger, which shall set forth:

(a) The name of each of the merging associations, and the name of the continuing association and the location of its business office;

(b) The amount of capital, reserves, and undivided profits of the continuing association, and the kinds of shares and other types of capital to be issued thereby;

(c) The articles of incorporation of the continuing association;

(d) A detailed pro forma financial statement of the assets and liabilities of the continuing association;

(e) The manner and basis of converting the capital of each merging association into capital of the continuing association;

(f) The other terms and conditions of the merger and the method of effectuating the same;

(g) Such other provisions with respect to the merger as appear necessary or desirable, or as the Director may reasonably require to enable him to discharge his duties with respect to such merger. (As amended by act approved June 4, 1957.)

Section 6-5 Merger — Approval by Director.)

(a) The plan of merger adopted as aforesaid shall be submitted to the Director for approval, together with a certified copy of the authorizing resolution of each board of directors, showing approval by a majority of the entire board of each merging association operating under this Act and evidence of proper action by the board of any merging Federal association.

(b) The Director may make or cause to be made an examination of the affairs of each of the merging associations.

(c) The Director shall approve the plan of merger if, after appropriate inquiry into the affairs of each of the merging associations, he finds that:

(1) The continuing association meets the requirements of this Act as to the organization of a new association;

(2) The plan provides an adequate capital structure;

(3) The plan is fair to all persons affected; and

(4) The plan meets the approval of the insurance corporation, if such approval is required.

(d) If the Director disapproves the plan of merger, he shall state his objections in writing and give the merging associations an opportunity to amend the plan of merger, to obviate such objections. (As amended by act approved June 4, 1957.)

Section 6-6. Merger—Approval by Members.)

After approval by the Director, the plan of merger shall be submitted to a vote of the members of each merging association. Each meeting of the members of an association operating under this Act shall be called and held in accordance with the section of this Act concerning Members' Meetings. The plan will be approved by the members of an association if the plan receives, in the affirmative, $\frac{2}{3}$ or more of the total number of votes which all members of the association are entitled to cast. Each meeting of a Federal association shall be called and held, and the required majority must be obtained, in accordance with the applicable Federal law and regulations. (As amended by Act approved July 9, 1959.)

Section 6-7 Merger — Director's Certificate; Effective Date.)

(a) A report of proceedings at the meeting of the members of each association, certified by the president or a vice-president and attested by the secretary thereof, and setting forth the notice given and time of mailing thereof, the vote on the plan of

merger, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed in duplicate with the Director, together with the plan of merger, duly executed by each merging association. The Director thereupon shall issue to the continuing association a certificate of merger, setting forth the name of each merging association and the name of the continuing association, and the articles of incorporation of the continuing association; and attaching thereto, as a part thereof, a copy of the report of proceedings filed as aforesaid by each merging association.

(b) The merger shall become effective upon the recording of the certificate of merger in the same manner as articles of incorporation, in each county in which the business office of any of the merging associations was located, and in the county in which the business office of the continuing association is located.

(c) When duly recorded as aforesaid, the certificate of merger shall be conclusive evidence, except against the State, of the merger and of the correctness and validity of all proceedings in connection with the merger. (As amended by act approved June 4, 1957.)

Section 6-8 Merger—Director's Expenses.) The expenses of any examination made by or at the direction of the Director in connection with a proposed merger shall be paid by the merging associations. (As amended by act approved June 4, 1957.)

Section 6-9. Effect of Merger.)

(a) The continuing association shall be considered the same business and corporate entity as each merging association, with all of the property, rights, powers, duties, and obligations of each merging association, except as otherwise provided by the articles of incorporation of the continuing association.

(b) All liabilities of each of the merging associations shall be liabilities of the continuing association; and all of the rights, franchises, and interests of each of the merging associations in and to every kind of property, real, personal or mixed, shall vest automatically in the continuing association, without any deed or other transfer.

(c) Any reference to a merging association in any writing, whether executed or effective before or after the merger, shall be deemed a reference to the continuing association, if not inconsistent with the other provisions of such writing.

(d) No pending action or other judicial proceeding to which any merging association is a party shall be abated or discontinued by reason of the merger, but may be prosecuted to final judgment, order or decree in the same manner as if the merger had not occurred.

Section 6-10. Sale of All Assets.) An association, in one transaction not in the usual and regular course of its business, may sell all or substantially all of its assets, with or without its name and goodwill, to another association or to a Federal association, in consideration of money, capital, or obligations of the purchasing association.

Section 6-11. Procedure to Effect Sale of All Assets.) The procedure to effect a sale authorized by the foregoing section shall be as follows:

(a) The board of directors shall adopt a resolution setting forth the terms of the proposed sale and directing the submission thereof to a vote at a meeting of the members, which may be an annual or special meeting.

(b) The said terms shall be set forth in the notice of meeting mailed as prescribed in the section of this Act concerning Members' Meetings.

(c) The proposed sale will be approved by the members upon receiving in the affirmative, two-thirds (2/3) or more of the total number of votes which all members of the association are entitled to cast. A proposal for the voluntary liquidation of the association shall be submitted to the members at the same meeting or at any adjournment thereof, or at any later meeting called for such purpose, in accordance with the article of this Act concerning Voluntary Liquidation. A report of proceedings, certified by the president or a vice-president and attested by the secretary, and setting forth the terms of the proposed sale, the notice given and time of mailing thereof, the vote on the proposal, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed with the Director.

(d) If the Director finds that the proposed sale is fair to all holders of capital, creditors, and other persons concerned, and provision has been made for the disposition of the remaining assets, if any, of the association as provided in this Act for reorganization or voluntary liquidation, then he shall issue to the association a certificate of authorization for such sale, attaching thereto, as a part thereof, a copy of the report of proceedings filed as aforesaid.

(e) Upon recording said Director's certificate in the same manner as the association's articles of incorporation, the association may complete the sale so authorized; except that an insured association first shall obtain the approval of the insurance corporation.

(f) If the sale includes the name of the association, the purchasing association shall have the exclusive right to such name for a period of five (5) years.

(g) If the association has failed to adopt a plan of voluntary liquidation, the Director may proceed against such association as provided in the article of this Act concerning Involuntary Liquidation. (As amended by act approved June 4, 1957.)

Section 6-12. Conversion from State to Federal Association.) Any association operating under this Act may become a Federal association pursuant to the laws and regulations of the United States and in accordance with the following procedure:

(a) The board of directors shall approve a plan of conversion by resolution adopted by majority vote of all of the directors. The plan shall set forth, among other terms:

(1) A financial statement of the association as of the last business day of the month pre-

ceding the adoption of the plan;

(2) The disposition of withdrawable capital and permanent reserve capital, if any;

(3) Adjustments, if any, in the value of the withdrawable accounts when exchanged for comparable accounts in the Federal association;

(4) The disposition of any segregated surplus established under the provisions of the section of this Act concerning Permanent Reserve Shares—Rights of Existing Shareholders;

(5) The disposition of any obligations, or liabilities.

Such plan and resolution shall be submitted to the Director at least 15 days prior to the members' meeting at which action of members is to be taken.

(b) If the plan of conversion provides for (1) no adjustment in the withdrawable capital accounts of members; and (2) all obligations and liabilities to be assumed by the Federal association, then the Director's approval of the plan of conversion shall not be required.

(c) If the plan of conversion adjusts values of any type of capital, or if the association has a segregated surplus, such plan of conversion shall be subject to the approval of the Director. Approval shall be given in such case if the Director finds that the plan is equitable and protects the rights of all persons affected, including such contingent interests as theretofore may have been created in the segregated surplus, if any.

(d) After receipt of such approval from the Director, if required, the plan of conversion may be submitted at an annual or special meeting of the members. The plan will be adopted upon receiving, in the affirmative, two-thirds or more of the total number of votes which all members of the association are entitled to cast. A report of proceedings at such meeting, certified by the president or a vice-president and attested by the secretary, shall be filed promptly with the Director.

(e) Within 90 days after the date of such meeting, the association shall take the action prescribed and authorized by the laws and regulations of the United States to complete its conversion to a Federal association.

(f) Upon receipt of a Federal charter, the association shall file promptly with the Director either a copy of said charter or a certificate of the appropriate Federal officers setting forth the facts concerning the issuance of such charter; and upon recording said charter in the same manner as the association's articles of incorporation, the association shall cease to be an association operating under this Act. (As amended by act approved July 24, 1959.)

Section 6-13. Conversion from Federal to State Association.) Any Federal association may become an association operating under this Act, pursuant to the laws and regulations of the United States and in accordance with the following procedure:

(a) The board of directors shall adopt a plan

of conversion, which shall set forth, among other terms, the provisions required in Sub-section (a) of the preceding section of this Act. Such plan and resolution shall be submitted to the Director.

(b) If the Director, after appropriate examination, shall find that the association complies sufficiently with the requirements of this Act to entitle it to become an association operating under this Act, he shall approve the plan of conversion. However, he may prescribe terms and conditions, to be fulfilled either prior to or after the conversion, to cause the association to conform with the requirements of this Act.

(c) After receipt of the Director's approval, the plan of conversion may be submitted at an annual or special meeting of the members; and the plan will be adopted upon receiving, in the affirmative, two-thirds (2/3) or more of the total number of votes which all members of the association are entitled to cast. Thereupon, such action shall be taken to adopt articles of incorporation, to elect directors, to adopt by-laws, and to elect officers, as is prescribed for a new association in the article of this Act concerning Incorporation and Organization. A report of proceedings at such meeting, certified by the president or a vice-president and attested by the secretary, shall be filed promptly with the Director.

(d) If the Director finds that such proceedings have been in accordance with the provisions of this section, he shall issue a certificate of conversion, setting forth the articles of incorporation and attaching, as a part of the certificate, a copy of the report of proceedings filed as aforesaid.

(e) The conversion shall become effective upon the recording of the certificate of conversion in the manner required by this Act for the recording of articles of incorporation. (As amended by act approved June 4, 1957.)

Section 6-14. Effect of Conversion.) When an association effects a conversion in accordance with either of the two preceding sections, the corporate existence of such association shall not be interrupted; but the identity of the association shall continue, together with all of the obligations and liabilities of the association; and all of its rights, franchises, and interests in and to every kind of property, real, personal or mixed, shall continue without the necessity of a deed or other transfer. Any reference to the association before conversion, contained in any writing, whether executed or effective before or after the conversion, shall be deemed a reference also to the association after conversion, if not inconsistent with the other provisions of such writing. No pending action or other judicial proceeding to which the association is a party shall be abated or discontinued by reason of such conversion, but the same may be prosecuted to final judgment, order, or decree in the same manner as if such conversion had not occurred.

ARTICLE 7—Supervision.

Section 7-1 Director's Regulations.) The Director shall have the power to establish such regulations

as may be reasonable or necessary to accomplish the purposes and provisions of this Act. (As amended by act approved June 4, 1957.)

Section 7-2. Examination.)

(a) The Director, at least once in each year, without previous notice, shall cause an examination to be made of the affairs of every association. Such examination shall be made by competent examiners appointed for that purpose, who are not officers or agents of, or in any manner interested in, any association which they examine, except that they may be holders of withdrawable capital.

(b) The officers, agents, or directors of any such association shall cause the books of the association to be opened for inspection by the Director or his examiners and otherwise assist in such examination when requested; and for the purpose of examination, the examiner in charge thereof shall have power to administer oaths and to examine under oath any officers, employees, agents, or directors of such association relative to the business of the association.

(c) The Director shall make a report of each examination to the board of directors of the association examined, and if the affairs of the association are not being conducted in accordance with this Act, he may require the directors, officers, or employees to take any necessary corrective action. In the interests of the members of the association, the Director may prepare a statement of the condition of the association, and may mail the same to the members or may require a single publication thereof. (As amended by act approved June 4, 1957.)

Section 7-3. Audit by Public Accountant.) The Director may approve in writing the appointment by the board of directors of a licensed public accountant to audit the books of the association at least once in each year, without previous notice; and the Director may prescribe the scope of such audit within generally accepted auditing principles, and may require the filing of a copy of such audit with the Director. (As amended by act approved June 4, 1957.)

Section 7-4 Reports to Director and Members.)

(a) Every association operating under this Act shall file with the Director within sixty (60) days following the close of each fiscal year of such association, a statement showing its financial condition at the close of the fiscal year and its operations for the year then ended. Each such statement shall be on forms prescribed by the Director and in conformity with generally accepted accounting principles, and shall be verified by the secretary and certified by (1) a committee of three or more members who are not officers of the association; or (2) a licensed public accountant appointed by the board of directors; or (3) two officers of the association, if a licensed public accountant has been appointed to audit the books and records of the association as provided in the preceding section of this Act.

(b) Every association shall file also such other reports as the Director may require from time to time.

(c) Within sixty (60) days after the date of

such statement, the association either shall mail to each member the annual statement of condition, or a condensed form thereof approved by the Director, or shall publish the same at least once. (As amended by act approved June 4, 1957.)

Section 7-5. Director's Report to the Governor.)

The Director shall prepare and transmit to the Governor of this State a condensed annual report of the financial condition of all associations operating under this Act, and may cause a copy of such report to be printed and circulated. (As amended by act approved June 4, 1957.)

Section 7-6. Information to Federal Authorities.)

The Director may give copies of reports of his examinations of an association, and copies of the association's reports to him, and any other information which he has concerning the association, to the Federal Home Loan Bank (or its successor instrumentality) of which the association is a member, or to the insurance corporation which has insured the association's capital; but no such action by the Director shall relieve the association from compliance with any requirements of such Federal institution concerning examinations or reports, or limit the Director's powers to examine or to require reports from the association. (As amended by act approved June 4, 1957.)

Section 7-7. Procedure Upon the Impairment of Permanent Reserve Capital.) If the Director finds, from a report or examination of an association, that the permanent reserve capital is impaired, he shall direct whichever of the following procedures is appropriate:

(a) The board of directors either (1) shall require the permanent reserve shareholders to contribute an amount at least sufficient to eliminate the impairment; or (2) shall reduce the par value of the permanent reserve capital in at least the amount of the impairment and allocate such reduction to undivided profits or reserves to absorb the loss which created the impairment.

(b) If such impairment causes the book value of the permanent reserve capital to be less than the amount of minimum initial permanent reserve capital which the association, if it were being newly authorized to issue such capital, would be required to issue under the provisions of the section of this Act concerning Permanent Reserve Shares—Authorization of Issuance; Minimum Amount, then the board of directors shall require the permanent reserve shareholders to contribute the amount necessary to make up the difference. If any permanent reserve shareholder, within 30 days after notice to contribute has been mailed to him, shall neglect or refuse to pay his proportionate contribution, the board of directors shall cause a sufficient amount of such holder's permanent reserve shares to be sold at public auction. Not less than 20 days before the date of such sale, notice thereof shall be posted in the business office of the association, and shall be published. Any proceeds of such sale in excess of such proportionate contribution shall be returned to the shareholder. (As amended by act approved July 24, 1959.)

Section 7-8 Director's Authority to Take Custody.) The Director in his discretion may take custody of the books, records and assets of every kind and character of any association, trust, or association in liquidation, for any of the purposes hereinafter enumerated, if it appears from reports made to the Director, or from examination made by or on behalf of the Director:

(a) That the directors, officers, trustees, or liquidators have neglected, failed or refused to take any action which the Director may deem necessary for the protection of the association or trust, or have impeded or obstructed an examination; or

(b) That the withdrawable capital of the association is impaired to the extent that the realizable value of its assets is insufficient to pay in full its creditors and holders of its withdrawable capital; or that its permanent reserve capital is impaired; or

(c) That the association is unable to continue operations; or

(d) That the business of the association, trust, or association in liquidation is being conducted in a fraudulent, illegal, or unsafe manner; or

(e) That the officers, employees, trustees, or liquidators have continued to assume duties or perform acts without giving bond as required by the provisions of this Act.

Unless the Director finds that an emergency exists which may result in loss to members or creditors and requires that he take custody immediately, he first shall give written notice to the directors, trustees, or liquidators specifying the conditions criticised and state a reasonable time within which correction may be made. (As amended by act approved July 24, 1959.)

Section 7-9. Purposes of Taking Custody.) The purposes of taking such custody of an association or trust may be examination; further examination; conserving of its assets; restoration of impaired capital; the making of any necessary or equitable adjustment deemed necessary by the Director under any plan of reorganization; or liquidation; or the maturing of the obligation of the insurance corporation. (As amended by act approved June 4, 1957.)

Section 7-10. Director's Powers During Custody.) During the period in which the Director has such custody, the Director has all powers which are necessary or appropriate to accomplish the purposes of taking custody, including (but not limited to) the authority:

(a) To operate the business of the association, except as limited by the other subsections of this section; exercising for that purpose all of the rights, powers, and privileges possessed by the officers and directors, liquidators, or trustees;

(b) To permit withdrawals to be made in accordance with the provisions of this Act in such proportionate amounts among holders of withdrawable capital as the Director considers advisable to safe-

guard the interests of all of the holders of withdrawable capital;

(c) To accept payments on withdrawable capital as provided in the section of this Act concerning Segregation of Collections During Custody;

(d) Without appointment of a receiver but upon order of a court of competent jurisdiction, or with the concurrence of at least two-thirds of the directors, to:

(1) Make investments, as provided in Article 5 of this Act;

(2) Make and execute agreements with the insurance corporation or with any other financial institution for the payment or assumption of the association's liabilities in whole or in part;

(3) Borrow money, as provided in the section of this Act concerning Power to Borrow;

(4) Sell, convey, transfer, pledge, or assign assets as security or otherwise;

(5) Sell or compromise bad or doubtful debts of the association;

(6) Make or give guaranties appropriate to any of the transactions specified in this subsection (d);

(e) To call meetings of the members, directors, liquidators, or trustees to consider and act upon matters within their respective authority as provided in this Act; but without prejudice to the Director's powers conferred by this section. (As amended by act approved July 24, 1959.)

Section 7-11. Custody of Insured Associations.)

If an association of which the Director takes custody under authority of this article is an insured association, the Director, in addition to powers conferred above, is authorized to:

(a) Forthwith notify the insurance corporation of such custody, his reasons therefor, and as soon as practicable, furnish the insurance corporation with a copy of the Director's report of examination and condition of the association.

(b) Permit the insurance corporation to submit any plan or proposal for the reorganization, merger, or liquidation of the association which it may deem feasible.

(c) Determine and declare the association to be in default, and to find from his examination and report the amount of the members' insured withdrawable capital, and to make any necessary orders, findings and determinations which may be required for the purpose of making the insurance available to the members. (As amended by act approved June 4, 1957.)

Section 7-12. Notice of Custody; Action to Enjoin.) Immediately upon taking custody of an association or trust, the Director shall mail a written notice thereof to the president or secretary and not less than 2 directors of such association, or to 2 or more of the trustees of any trust, or 2 or more of the liquidators of an association in liquidation. If the contention is made that the Director has no legal grounds for taking custody of the association or trust, the directors or officers of the association

or the trustees or liquidators thereof, as the case may be, at any time within 30 days after the mailing of such notice, or within such further periods of time as the Director may extend, but not to exceed an additional 60 days, may file a complaint in the Circuit Court of Sangamon County, Illinois or in the circuit or superior court of the county in which the association is located, to enjoin further custody. The court thereupon shall cite the Director to show cause why further custody should not be enjoined. If upon a hearing thereon, the court finds that such grounds did not or do not then exist, it may enter an appropriate order in accordance with the findings of fact, or an order enjoining the Director or any appointees acting under his direction from further custody. (As amended by act approved July 24, 1959.)

Section 7-13. Segregation of Collections During Custody.) All payments received on withdrawable capital on members' unpledged shares or accounts during custody of the association by the Director shall be segregated in a separate account until the association shall be redelivered to the directors or to trustees or liquidators or delivered to a receiver. Any member whose payments have been so segregated may request the return of such payments, and the Director shall repay the same without interest or dividends. Before delivery of the association or its assets to any liquidators or to a receiver, the Director shall return the money so collected from members and so segregated. (As amended by act approved June 4, 1957.)

Section 7-14. Redelivery of Possession.) If after examination of the association and consideration of all conditions affecting its affairs, the Director finds that the cause or causes for taking custody have been removed, he shall relinquish custody of the association and redeliver the same and all assets, books and records thereof to the directors of the association or to the trustees or liquidators qualified to accept the same. (As amended by act approved June 4, 1957.)

Section 7-15. Limitations Upon Custody.) The custody of an association by the Director may be continued for a reasonable period not to exceed six (6) months, unless further extension shall be agreed upon by a vote of two-thirds (2/3) of the directors of the association or upon application for such extension and by order entered in a court of competent jurisdiction. (As amended by act approved June 4, 1957.)

Section 7-16. Expenses and Fees.)

(a) The reasonable expense of any examination or investigation or custody by the Director under any provision of this Act, shall be borne by the association or trust.

(b) Except as to fees which are fixed by this Act, the Director by regulation may prescribe reasonable fees for filing reports and other documents, furnishing transcripts, holding hearings, applications for permits to organize and investigations thereof, and for the taking of any other action for which he incurs expense. (As amended by act approved July 9, 1959.)

Section 7-17. Advisory Board — Appointment.)

The Board of Savings and Loan Association Advisers shall be composed of five (5) persons who shall be appointed by the Governor. Each of such persons shall have been engaged actively in savings and loan management in this State for at least five (5) years immediately prior to his appointment, and three of them shall be appointed from a list of not less than eight (8) nominees submitted to the Governor for this purpose by the Illinois Savings and Loan League. Each of such persons shall serve without compensation, but shall be reimbursed for necessary expenses. Initially two of such persons shall be appointed to serve until the third Monday in January 1959 and three of such persons shall be appointed to serve until the third Monday in January 1961. As terms of appointment expire, successors shall be appointed for terms to expire the third Monday in January four years thereafter. All members of the Advisory Board shall serve until their respective successors are appointed and qualified. (As amended by act approved June 4, 1957.)

Section 7-18. Advisory Board—Organization and Meetings.) The Advisory Board shall elect a chairman, vice-chairman, and secretary; shall adopt regulations for the holding and conducting of meetings and for holding hearings concerning all matters within its powers; and shall keep a record of all meetings and transactions. Regular meetings shall be held as provided in the regulations, and special meetings may be called by the Director or upon the request of any three (3) members of the Board. (As amended by act approved June 4, 1957.)

Section 7-19. Advisory Board — Powers.) The Board shall have the following powers:

(a) To make recommendations to the Director or the authority responsible for chartering Federal associations, for the purpose of preventing unsound practices in the establishment of new associations proposed to be located in this State; or in any change of location which has the same effect upon other associations as the establishment of a new association.

(b) To make recommendations concerning insurance of withdrawable capital for the purpose of avoiding undue injury to associations in the same community by affording to all such associations an equal opportunity to apply for such insurance at the same time.

(c) To make recommendations on pertinent matters to the insurance corporation regarding the insurance of withdrawable accounts of associations operating under this Act.

(d) To make recommendations to the Director on matters within the scope of his authority concerning conversions or mergers under the sections of this act relating thereto.

(e) To make recommendations to the Director concerning such matters within the scope of his authority as he may refer to the Board for consideration.

(f) To advise the Governor and the Director upon appointments and employment of personnel in

connection with the supervision of savings and loan associations. (As amended by act approved June 4, 1957.)

Section 7-20. Proceedings on Objections to Director's Action.) Except as otherwise specifically provided by this Act, any person who deems himself aggrieved by any decision, order, or action of the Director may receive a hearing as provided in Sections 7-21 through 7-24 of this Act. (As amended by act approved July 24, 1959.)

Section 7-21. The Director may upon his own motion and shall upon the verified complaint in writing of any person setting forth facts which if proved would constitute grounds for reversal or change of any decision, order or action grant a hearing thereon. If the aggrieved party desires such a hearing, he shall, within 10 days of receipt of notice of such decision, order or action, file written notice with the Director of intent to demand a hearing and shall, within 30 days of receipt of notice of such decision, order or action, file his verified complaint in writing. The Director shall, at least 10 days prior to the date set for the hearing, notify in writing the person adversely affected by such decision, order or action, hereinafter called the respondent and all other parties to the action, that a hearing will be held on the date designated and shall afford the respondent and all other parties to the action an opportunity to be heard in person or by counsel in reference thereto. Such written notice may be served by delivery of the same personally to the respondent and all other parties to the action, or by mailing the same by registered or certified mail to the place of business last theretofore specified by the respondent and all other parties to the action in the last notification to the Director. At the time and place fixed in the notice, the Director or his authorized agent, hereafter referred to as the hearing officer, shall proceed to hear the charges and both the respondent and all other parties to the action and the complainant shall be accorded ample opportunity to present in person or by counsel such statements, testimony, evidence and argument as may be pertinent to the issues. The hearing officer may continue such hearing from time to time.

The hearing officer is authorized to subpoena any person in this State and to take testimony either orally or by deposition or by exhibit, with the same fees and mileage and in the same manner as prescribed by law in judicial procedure in civil cases in circuit courts of this State.

The hearing officer may administer oaths to witnesses at any hearing which the hearing officer is authorized by law to conduct.

Section 7-22. The Director, at his expense, unless otherwise provided in this Act, shall provide a stenographer to take down the testimony and preserve a record of all proceedings at the hearing. The notice of hearing, complaint and all other documents in the nature of pleadings and written motions filed in the proceedings, the transcript of testimony, the report of the hearing officer and orders of the Director shall be the record of such proceedings. The Director shall furnish a transcript of such record to

any person interested in such hearing upon payment of the actual cost thereof.

A copy of the hearing officer's report and the Director's orders shall be served upon the respondent and all other parties to the action by the Director, either personally or by registered or certified mail as provided in this Act for the service of the notice of hearing. (As amended by act approved August 14, 1961.)

Section 7-23. All subpoenas issued under the laws of this State pertaining to Savings and Loan Associations may be served by any person who is not a minor. The fees of witnesses for attendance and travel shall be the same as fees of witnesses before the Circuit Courts of this State, such fees to be paid at the time the witness is excused from further attendance, when the witness is subpoenaed at the instance of the Director or any officer or any employee designated by him for the purpose of conducting any such investigation, inquiry or hearing; and the disbursements made in the payment of such fees shall be audited and paid in the same manner as are other expenses of the Department of Financial Institutions. Whenever a subpoena is issued at the instance of a complainant, respondent or other party to any proceeding the Director may require that the cost of service thereof and the fee of the same shall be borne by the party at whose instance the witness is summoned, and the Director shall have power, in his discretion, to require a deposit to cover the cost of such service and witness fees and the payment of legal witness fees and mileage to the witness when served with subpoena. A subpoena issued as aforesaid shall be served in the same manner as a subpoena issued out of a court of record.

Any person who shall be served with a subpoena to appear and testify, or to produce books, papers, accounts or documents, either in person or by deposition, in the manner provided in this section, issued by the Director or by any officer, or any employee designated by him to conduct any such investigation, inquiry, or hearing, in the course of an investigation, inquiry or hearing conducted under any of the provisions of the laws of this State pertaining to Savings and Loan Associations, and who shall refuse or neglect to appear, or to testify, or to produce books, papers, accounts and documents relative to said investigation, inquiry or hearing as commanded in such subpoena, shall be guilty of a misdemeanor, and upon conviction thereof, shall be punishable by a fine of not more than \$200.00.

Any Circuit Court of this State, or any judge thereof, either in term time or in vacation, upon application of the Director, or an officer, or an employee designated by him for the purpose of conducting any such investigation, inquiry or hearing, may, in his discretion, compel the attendance of witnesses, the production of books, papers, accounts and documents, and the giving of testimony before the Department of Financial Institutions, or before any officer thereof, or any employee designated by it for the purpose of conducting any such investiga-

tion, inquiry or hearing, in person or by deposition, in the manner provided in this section, by an attachment for contempt or otherwise, in the same manner as production of evidence may be compelled before said court.

The Director or any officer, or any employee designated by him for the purpose of conducting any investigation, inquiry or hearing, or any party may, in any investigation, inquiry or hearing, cause the deposition of witnesses residing within or without the State to be taken in the manner prescribed by law for taking like depositions in chancery cases in courts of this State, and to that end may compel the attendance of witnesses and the production of papers, books, accounts and documents. (As amended by act approved August 22, 1961.)

Section 7-24. Any person affected by a final administrative decision of the Director pursuant to the provisions of this Act may have such decisions reviewed only under and in accordance with the "Administrative Review Act," approved May 8, 1945 if such person files within 10 days of receipt of service of a copy of the final decision sought to be reviewed a written notice with the Director of intent to seek review under said Administrative Review Act. The provisions of the "Administrative Review Act," and all amendments and modifications thereof, and the rules adopted pursuant thereto, shall apply to and govern all proceedings for the judicial review of final administrative decisions of the Director hereunder. The term "administrative decision" is defined as in Section 1 of said "Administrative Review Act."

Appeals from all final orders and judgments entered by court in review of any final administrative decision of the Director hereunder may be taken directly to the Supreme Court in accordance with the provisions of the "Civil Practice Act" relating to appeals, and all existing and future amendments and modifications thereof and the rules adopted thereto. (As amended by act approved August 14, 1961.)

ARTICLE 8—Reorganization.

Section 8-1. Authority to Reorganize.) An association may reorganize under the provisions of this article, by adjusting its capital without prejudicing or impairing the rights of any of its creditors; but an adjustment of capital which involves or is part of a proceeding to effect a merger, conversion, sale of all assets, or retirement or reduction of permanent reserve capital, shall be accomplished under the provisions of this Act relating to such other proceeding. (As amended by act approved July 11, 1957.)

Section 8-2. Decision as to Reorganization; Adoption of Plan.)

(a) At any annual or special meeting of the members, the members may vote to reorganize the association, and may adopt a plan of reorganization which has been approved by the board of directors, or proposed by one or more shareholders, or submitted by the Director; or may elect a committee of three (3) persons to prepare and submit a plan, and thereafter may adopt such plan. However, no plan except one submitted by the Director shall be adopted

unless it has been filed with the Director at least five (5) days before the vote of the members is taken thereon.

(b) A plan will be adopted upon receiving in the affirmative two-thirds (2/3) or more of the total number of votes which all members of the association are entitled to cast. (As amended by act approved June 4, 1957.)

Section 8-3. Plan of Reorganization.) The plan of reorganization shall set forth:

(a) A statement of the financial condition of the association duly certified by a licensed public accountant, or verified in such manner as may be required by the Director.

(b) The proposed adjustment of capital.

(c) Any proposed segregation of assets into a segregated trust, and provision for disposition of such trust.

(d) Any amendment to the articles of incorporation, which shall be submitted to the Director for approval and shall be effective as provided in the article of this Act concerning Corporate Changes.

(e) Provision for safeguarding the rights of creditors. (As amended by act approved June 4, 1957.)

Section 8-4. Election of New Directors; Report and Supervision.)

(a) Upon the adoption of the plan of reorganization, the offices of all directors and officers of the association shall be vacant, and the members shall proceed to elect directors to fill the vacancies. If the plan provides for the segregation of assets under a trust agreement, the members also shall elect (with cumulative voting permitted as in elections of directors) three or more trustees to manage such assets.

(b) A report of proceedings at the meetings of the members, certified by the president or a vice president and attested by the secretary, setting forth the notice given and time of mailing thereof, the vote on the plan of reorganization, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed in duplicate with the Director, together with the plan of reorganization. The Director thereupon shall issue to the association, and to the trustees if assets have been segregated as a part of the plan, a certificate of reorganization, and a certificate of amendment of the articles of incorporation if appropriate.

(c) The reorganization shall become effective upon the recording of the certificate of reorganization and the certificate of amendment of articles of incorporation, if any, in the manner required by this Act for the recording of articles of incorporation. (As amended by act approved June 4, 1957.)

Section 8-5. Trust Agreement and Procedure.)

(a) The segregated assets shall be disposed of in accordance with the terms of a trust agreement adopted by the board of directors and executed in triplicate by the appropriate officers of the association and the trustees.

(b) The trust agreement shall contain provisions for the full liquidation of the trust, (including but not limited to) powers, duties, and manner of

succession of trustees, and other provisions similar to those set forth with respect to liquidators in the section of this Act concerning Plan of Voluntary Liquidation. In addition thereto, the reorganized association shall furnish to the trustees a list of all shareholders whose shares are affected by such segregation of assets, giving their last known addresses and the book value of shares held and the reduction of such values upon reorganization and segregation of assets, so that the trustees may ascertain the relative interest of each shareholder in the trust so created. Such list shall be prima facie evidence of the share interests of all shareholders and no shareholder shall be entitled to a greater proportionate interest in the trust unless and until the trustees shall have agreed to a correction of the list or shall be ordered to do so by a court of competent jurisdiction.

(c) Three copies of the trust agreement shall be submitted to the Director together with a certified copy of the resolution of the board of directors adopting the agreement, and the bonds of the trustees in such amounts as shall be fixed by the board of directors and as provided by the section of this Act concerning Bonds of Officers and Employees.

(d) If the Director finds that the bonds are sufficient and the trust agreement will protect the beneficiaries of the trust, he shall attach his certificate of approval and forward one approved copy of the trust agreement to the trustees and another to the reorganized association.

(e) The trust shall become effective upon recording of the Director's certificate of approval and the trust agreement in the manner required by this Act for the recording of articles of incorporation; and the association thereupon shall be authorized to transfer the segregated assets to the trustees. (As amended by act approved June 4, 1957.)

Section 8-6. Disposition of Assets by Trustees; Liquidation.) The trust shall be subject at all times to the applicable provisions of the article pertaining to Voluntary Liquidation, and also shall be subject to supervision and examination by the Director. (As amended by act approved June 4, 1957.)

Section 8-7. Acceptance of Certificates of Beneficial Interest and Withdrawable Capital for Part Purchase Price of Assets.)

(a) The trustees may offer to accept the certificates of beneficial interest issued by them, or withdrawable capital of the association, to apply upon the purchase price of any assets, but only for such relative values as may be approved by the Director from time to time. If such offer is made, notice thereof by single publication or by mailing, stating the offer and the time, place, and terms of the sale, shall be given to all owners of such certificates prior to the sale.

(b) If a purchaser of segregated assets applies to the reorganized association for a loan on such assets, the association, in lieu of cash advancement on such loan, may issue and the trustees may accept at full value withdrawable capital of the reorganized association up to but not exceeding seventy-five per cent (75%) of the purchase price of

such assets. Such sale shall not be consummated until the balance of the purchase price shall have been paid in cash to the trustee. (As amended by act approved June 4, 1957.)

ARTICLE 9—Voluntary Liquidation.

Section 9-1. Authority to Liquidate.) An association may liquidate voluntarily in accordance with a plan of voluntary liquidation which has been adopted in the manner provided in this article.

Section 9-2. Decision as to Liquidation; Adoption of Plan.)

(a) At any annual or special meeting of the members, the members may vote to liquidate the association, and may adopt a plan of liquidation which has been approved by the board of directors, or proposed by one or more shareholders, or submitted by the Director; or may elect a committee of three (3) persons to prepare and submit a plan, and thereafter may adopt such plan. However, no plan except one submitted by the Director shall be adopted unless it has been filed with the Director at least five (5) days before the vote of the members is taken thereon.

(b) A plan will be adopted upon receiving in the affirmative two-thirds ($2/3$) or more of the total number of votes which all members of the association are entitled to cast. (As amended by act approved June 4, 1957.)

Section 9-3. Plan of Voluntary Liquidation.) The plan of voluntary liquidation shall provide for the full liquidation of the association, setting forth the powers, duties, manner of filling vacancies, and succession of the liquidators and authorizing them to:

(a) Advance funds of the association to preserve, protect, or purchase at any sale any asset in which the association has an interest.

(b) Sell, convey, lease, mortgage, or exchange any assets for other assets.

(c) Sell and dispose of any assets at public sale to the highest and best bidder or at private sale for the highest price obtainable.

(d) Accept withdrawable capital of the association to apply upon the purchase price of any assets, but only for such relative values as may be approved by the Director from time to time. Notice by single publication or by mailing, stating the time, place, and terms of the sale, shall be given to all holders of withdrawable capital prior to the sale.

(e) Pay out of the proceeds of liquidation all expenses and services necessary to the liquidation, and also compensation of the liquidators; but such compensation of the liquidators, exclusive of compensation for legal services and other specialized employment, shall not exceed in the aggregate three (3) per cent of the proceeds of liquidation. (As amended by act approved June 4, 1957.)

Section 9-4. Election of Liquidators, Report, and Supervision.) Upon adoption of a plan of voluntary liquidation, the members shall proceed to elect (with cumulative voting permitted as in elections of directors) not more than three (3) liquidators, who shall have full power to execute the plan; and the procedure thereafter shall be as follows:

(a) A report of proceedings at the meeting of members, certified by the presiding officer of the meeting and attested by the secretary of the meeting, and setting forth the notice given and time of mailing thereof, the vote on the plan of voluntary liquidation, the total number of votes which all members of the association were entitled to cast thereon, and the names of the liquidators elected, shall be filed in triplicate with the Director, together with the plan.

(b) If the Director finds that the plan and proceedings are in accordance with this Act, that the bonds of the liquidators are sufficient, and that the plan is not unfair to any person affected, he shall attach his certificate of approval to the plan and shall forward one copy to the liquidators, and in the case of an insured association, one copy to the insurance corporation.

(c) The plan shall become effective upon the recording of the Director's certificate of approval in the manner required by this Act for the recording of articles of incorporation.

(d) The liquidation of the association shall be subject to the supervision and examination of the Director. (As amended by act approved June 4, 1957.)

Section 9-5. Protection and Liquidation of Assets.) The liquidators are authorized to advance funds of the association and to take such other action as is advisable to preserve, protect, or purchase at any sale any real estate or other asset upon which the association may hold any lien or encumbrance or in which it may have an interest. The liquidators may sell, convey, lease, mortgage or exchange any assets so purchased or other assets; and in furtherance of the liquidation of the association, may sell and dispose of any of its assets at public sale to the highest and best bidder; or may sell any such assets at private sale for the highest price obtainable. No purchaser shall be required to ascertain the application of the purchase price.

Section 9-6. Notice to File Claims.) The liquidators shall fix a time for all persons having claims against the association, other than as members thereof, to present such claims, and shall cause notice to be published, requiring all persons to present the claims on or before such date, and within five (5) days after the first publication shall mail a copy of such notice to each person whose name appears on the association's records as having a claim. Each claim shall be in writing and verified by the claimant or a duly authorized agent. A claim may be presented at any time on or before the date fixed in the published notice, but any claim not so presented shall be barred. Upon the disallowance of any claim, the liquidators immediately shall notify the claimant of such fact, and the claimant may institute suit to establish such claim at any time before the final distribution.

Section 9-7. Claims of Members.) Whether a member files or does not file a claim with respect to an interest which he has as such member, the liquidators shall determine from the records of the as-

sociation the amount of such member's claim. Any such member may examine the association's records pertaining to his own claim. The records of the association shall be prima facie evidence of each such claim or interest, and no member shall be entitled to a greater claim or proportionate interest in the association unless and until the liquidators shall have agreed to a correction of the records pertaining to such claim or interest, or shall be ordered to correct such records by a court of competent jurisdiction. The liquidators shall require all members to present their certificates or account books, if any, for verification and endorsement upon payment of any liquidating dividend or distribution; and upon final distribution, such certificates or account books, if any, shall be surrendered to the liquidators.

Section 9-8. Payments and Distribution.) Claims having a preference in law shall be given preference in payment; except that no payment of less than ten dollars (\$10.00) need be made until final distribution. No distribution shall be made on claims for withdrawable capital until such preferred claims have been paid or provided for in full, or during the pendency of any suit unless sufficient funds are segregated to pay any judgment which may be rendered in such suit. Ratable payments and distributions on withdrawable capital may be made at any time after the time fixed for the presentment and allowance of claims has elapsed. Holders of permanent reserve capital, if any, shall participate in the liquidation of the remaining assets after payment or provision for payment has been made in full to all creditors, holders of withdrawable capital, and any claims which the holders may have in the balance of any segregated reserves. Final distribution shall be made in accordance with the next succeeding section of this article. (As amended by act approved July 11, 1957.)

Section 9-9. Final Distribution and Dissolution by Director.) When all assets have been liquidated and all claims and expenses have been paid, dissolution of the association shall be accomplished in the following manner:

(a) The liquidators shall file with the Director the duly verified final report of their acts and proposed final distribution.

(b) Upon the Director's approval of the final report, the liquidators shall publish notice of the proposed distribution, and shall allow any shareholder to examine the records of the association to ascertain his proper share of such distribution. Any shareholder who fails to commence, before the date fixed for final distribution, appropriate judicial proceedings to contest such distribution, shall be barred from contesting the same thereafter. The liquidators shall proceed to make final distribution on the date fixed therefor, except that such distribution shall be deferred until final disposition of any pending judicial action affecting the distribution, and payment of any judgment entered therein.

(c) When final distribution has been made, except as to any money due to but unclaimed by any

creditor, shareholder, or other person, the liquidators shall deposit such unclaimed money with the Director, for payment to the person or persons entitled thereto upon application and proof of right as provided by law.

(d) The liquidators also shall deliver to the Director all books of account and other records of the association, for preservation for at least two (2) years and destruction thereafter as provided by law.

(e) Upon completion of the foregoing procedure, the liquidators shall be discharged; the Director shall issue a certificate of dissolution of the association and shall record same in the manner required by this Act for the recording of articles of incorporation; and upon such recording, the dissolution shall be effective. (As amended by act approved June 4, 1957.)

ARTICLE 10—Involuntary Liquidation.

Section 10-1. Director to Appoint Receiver.) If the Director, after taking custody of an association under the section of this Act concerning Director's Authority to Take Custody, finds that any one or more of the reasons for taking custody continues to exist through the period of his custody, then he shall appoint any qualified person, firm or corporation as receiver or co-receiver of such association or trust for the purpose of liquidation. In the case of an insured association, he may appoint the insurance corporation or its nominee as such receiver or as a co-receiver; and the insurance corporation may be permitted to serve without bond. The receiver shall take possession of and title to the books, records, and assets of every description of the association or trust. (As amended by act approved June 4, 1957.)

Section 10-2. Filing of Complaint by Attorney General.) After so appointing a receiver, the Director shall direct the Attorney General to file a complaint in equity in the name of the Director in the circuit or superior court of the county in which such association or trust is located and against the association or trustees or liquidators, as the case may be, for the orderly liquidation and dissolution of the association or trust and for an injunction restraining the officers, directors, trustees, or liquidators, from continuing the operation of the association or trust. No complaint shall be filed nor shall other proceedings be commenced in any court for the dissolution or winding up of the affairs of the association or trust except in the name of and by authority of the Director represented by the Attorney General. (As amended by act approved June 4, 1957.)

Section 10-3. Receiver's Powers; Court Supervision.) Upon order of the court in which the Director's complaint for dissolution and winding up of the affairs of the association has been filed, the receiver shall have the power and shall be charged with the duties and responsibilities as follows:

(a) To sell and compound all bad or doubtful debts on such terms as the court shall direct;

(b) To sell the real and personal property of the association on such terms as the court shall direct;

(c) To petition the court for authority to borrow money to protect assets or to facilitate liquidation.

tion and distribution, and to pledge assets as security therefor, which petition shall be heard by the court upon such notice to all parties in interest as the court shall direct, and such loans may be obtained and assets pledged as security therefor upon such terms and conditions as may be deemed expedient and necessary;

(d) To make and carry out agreements with the insurance corporation or with any other financial institution for the payment or assumption of the association's liabilities, in whole or in part, and to sell, convey, transfer, pledge or assign assets as security or otherwise, and to make guaranties in connection therewith. (As amended by act approved June 4, 1957.)

Section 10-4. Expenses of Custody and Receivership.) All expenses incurred by reason of the examination, custody, and receivership, including compensation to such receiver, accountants, or clerical assistants, and reasonable solicitors' and attorneys' fees, approved by the Director or the court, shall be paid out of the assets of such association or trust. (As amended by act approved June 4, 1957.)

Section 10-5. Notice to Creditors.) The receiver shall cause notice to be published calling on all persons who may have claims against such association or trust to present the same to such receiver and to make legal proof thereof, and the said claims shall be presented to the court, and the allowance or disallowance of such claims by the court in connection with said proceedings shall be deemed an adjudication in a court of competent jurisdiction. After the expiration of the time specified in such publication, the receiver shall file with the Director and with the clerk of the court a correct list of all creditors and all members of the association or beneficiaries of the trust, as shown by the books and records, who have not presented their claims, and the amount of their respective claims, after allowing all just credits, deductions and setoffs as shown by the books and records. Such claims so filed shall be deemed proven, unless objections are filed thereto by any parties interested therein within such time as shall be fixed by the court and such notice of application for adjudication of such claims shall be given as the court may direct. (As amended by act approved June 4, 1957.)

Section 10-6. Distribution by Receiver.) Claims having a preference in law shall be given preference in payment; except that no payment of less than ten dollars (\$10.00) need be made until final distribution. No distribution shall be made on claims for capital until such preferred creditors have been paid or provided for in full, or during the pendency of any suit unless sufficient funds are segregated to pay any judgment which may be rendered in such suit. At any time after the expiration of the published claim date and from time to time, the receiver may make ratable distribution on all such claims as may have been proven to the satisfaction of the receiver, or adjudicated in a court of competent jurisdiction. Final distribution shall be made in accordance with the next succeeding section of this article.

Section 10-7. Final Distribution and Dissolution by Court.) When all assets have been liquidated and

all claims and expenses have been paid except for the final distribution, dissolution of the association shall be accomplished in the following manner:

(a) The receiver shall file with the court the final report of his acts and proposed final distribution.

(b) Upon the court's approval of the final report, the receiver shall give such notice, and thereafter shall make final distribution, in such manner as the court may direct.

(c) When final distribution has been made except as to any unclaimed money, the receiver shall deposit such unclaimed money with the Director and shall deliver to the Director all books of account and other records, in the manner and for the purpose prescribed in the section of this Act concerning Final Distribution and Dissolution by Director.

(d) Upon completion of the foregoing procedure, and upon the petition of the Director (represented by the Attorney General) and the receiver, the court may find that the association or trust should be dissolved; and after such publication of notice of dissolution as the court may direct, the court may enter a decree of dissolution. (As amended by act approved June 4, 1957.)

ARTICLE 11—Miscellaneous Provisions.

Section 11-1. Reservation of Powers to General Assembly.) The General Assembly shall have power to amend, repeal, or modify this Act, and such amendments or modifications shall be binding upon any and all associations operating under this Act.

Section 11-2. Applicability of Other Acts.) Whenever in any act the terms "savings and loan," "building and loan," "mutual building loan and homestead," "building loan and homestead," or other similar name, are used with reference to associations organized for the purposes of associations incorporated under this Act, such reference shall be applicable to associations operating under this Act; and whenever in any act the terms "members," "shareholders," or "investors" are used in connection with such associations, however named, the same shall refer to members and holders of capital of associations operating under this Act.

Section 11-3. Separability.) If any provision, clause, or phrase of this Act or the application thereof to any person or circumstance, is held invalid, such invalidity shall not affect other provisions or applications of this Act which can be given effect without the invalid provisions or application, and to this end the provisions of this Act are declared to be separable.

Section 11-4. Repealer.) "An Act in relation to mutual building, loan and homestead associations," filed June 19, 1919, and all acts amendatory thereof, are hereby repealed.

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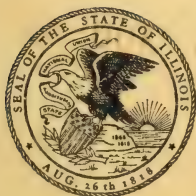
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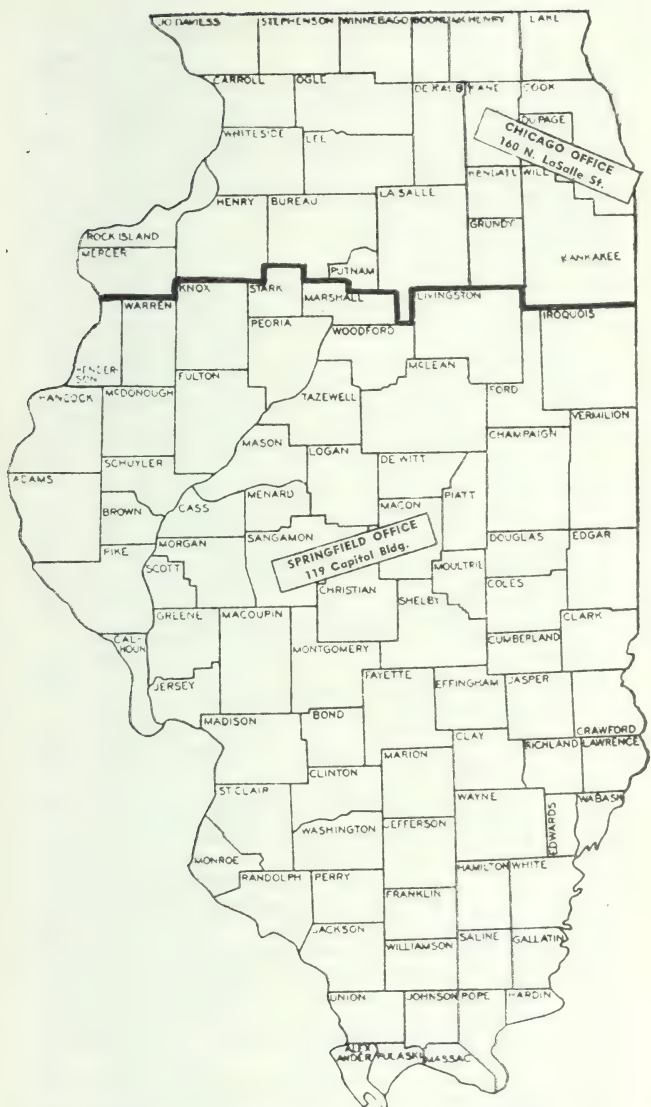
Department of Financial Institutions

State of Illinois
OTTO KERNER, Governor



**ILLINOIS SAVINGS
AND LOAN ACT**
1963 Edition

JOSEPH E. KNIGHT, Director
Department of Financial Institutions



▲ To provide greater assistance in the administration and supervision of the Savings and Loan Associations, the Director maintains both a Chicago office and Springfield office. Each office serves that part of the State indicated by the division of the State on the map above.

▲ Associations in the Chicago area should direct inquiries to the Director of Financial Institutions, Savings and Loan Division, 160 North LaSalle Street, Chicago 1, Illinois. Telephone: Financial 6-2000, Ext. 2417.

▲ Associations in the Springfield area should direct inquiries to the Director of Financial Institutions, Savings and Loan Division, State Capitol Building, Room 119, Springfield, Illinois. Telephone: 527-6611, Ext. 6941.

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ILLINOIS SAVINGS AND LOAN ACT

AN ACT to revise and codify the laws in relation to Savings and Loan Associations and to provide penalties for the violation thereof, and to repeal an Act therein named. Approved July 5, 1955.

ARTICLE 1—General Provisions

Section 1-1. Short Title.) This Act shall be known and may be cited as the "Illinois Savings and Loan Act".

Section 1-2. Policy of Act.) The General Assembly has found and declares:

(a) That the savings and loan business, otherwise known as the building, loan, and homestead business, which is within the scope of this Act, has so expanded in recent years, and has become so integrated with the financial institutions of this State and is so important as a method of promoting home ownership and thrift, that such business, to an even greater extent than heretofore, is affected with a public interest and should continue to be supervised as a business affecting the economic security and general welfare of the people of this State;

(b) That such business should be operated only by associations organized and conducted in accordance with the authority provided in this Act;

(c) That the number and minimum size of the associations conducting such business should be controlled in the interest of securely and efficiently serving the needs of the localities in which they operate;

(d) That the public interest requires the promotion and fostering of the savings and loan, or building, loan, and homestead business and the assurance of its financial stability;

(e) That in order to further the policies herein expressed, the provisions of this Act shall be liberally construed to promote and foster the purposes of savings and loan associations.

Section 1-3. Scope of Act; Application to Federal Associations.)

(a) This Act applies to all existing mutual building loan and homestead associations, savings and loan associations, savings associations, building and loan associations, and other similar associations by whatever name called, organized under this or any prior act; and to all foreign associations duly authorized to do business in this State.

(b) Unless Federal laws or regulations provide otherwise, Federal Associations and their members shall possess all of the rights, powers, privileges, immunities, and exemptions granted by this Act to associations operating hereunder and to the members thereof, or by any other Act or Section thereof, to such associations or members, whether or not specifically mentioned in the Section or Sections granting such rights, powers, privileges, immunities and exemptions. (As amended by act approved August 14, 1961.)

Section 1-4. Effect on Existing Associations.)
With respect to any existing association:

(a) The by-laws, shares, and contracts of such association shall continue in full force and effect; but the association shall be operated in accordance with the provisions of this Act.

(b) If the association accepts the benefits of, or avails itself of the powers given by, this Act, the association shall be subject to the provisions and requirements of this Act in every particular, as if the association had been organized under this Act.

(c) That portion of the statement of incorporation, charter, or certificate of complete organization of an existing association, which corresponds to the contents of articles of incorporation, as defined in Section 2-8 of this Act, shall be deemed to be the articles of incorporation of such association; and that portion of its statement of incorporation, charter, and certificate of complete organization corresponding to the contents of by-laws, as defined in Section 2-9 of this Act, shall be deemed to be the by-laws of such existing association.

Section 1-5. Prohibitions.)

(a) No person or group of persons, except an association duly incorporated under this Act or a prior act, or a Federal association, or a foreign association duly authorized to do business in this State, shall transact business within the scope of this Act or do any business under any name or title, or circulate or use any advertising or make any representation or give any information to any person, which indicates or reasonably implies the operation of a business which is within the scope of this Act.

(b) A court of competent jurisdiction may issue an injunction to restrain any person from violating or continuing to violate any of the foregoing provisions of this section.

(c) Any person who violates any provision of this section shall be punished by a fine of not more than one thousand dollars (\$1,000.00).

Section 1-6. General Corporate Powers.) An association operating under this Act shall be a body corporate and politic and shall have all of the specific powers conferred by this Act and in addition thereto, the following general powers:

(a) To sue and be sued, complain and defend in its corporate name; and to have a common seal, which it may alter or renew at pleasure;

(b) To obtain and maintain insurance of the association's withdrawable capital by an insurance corporation as defined in this Act;

(c) To become a member of a Federal Home Loan Bank, and to have all powers of such a member which are not inconsistent with the provisions of this Act; and to have all powers granted to Federal savings and loan associations except as limited or prohibited by this Act, subject to regulations of the Director wherever applicable;

(d) To act as a fiscal agent for the United States when duly designated for that purpose, and as such agent to perform such reasonable functions as may be required of it;

(e) To become a member of or deal with any corporation or agency of the United States or the State of Illinois, to the extent that such agency assists in furthering or facilitating the association's purposes or powers, and to that end to purchase stock or securities thereof or deposit money therewith, and to comply with any other conditions of membership or credit;

(f) To make donations in reasonable amounts for the public welfare or for charitable, scientific, religious, or educational purposes;

(g) To adopt and operate reasonable insurance, bonus, and retirement plans for officers and employees;

(h) To reject any application for membership; to retire withdrawable capital by enforced retirement as provided in this Act and the by-laws; and to limit the issuance of or payments on withdrawable capital, subject however to contractual obligations. (As amended by act approved July 16, 1963.)

Section 1-7. Power to Borrow.)

(a) The board of directors may borrow money for the uses and purposes of the association, and may pledge, mortgage, or otherwise encumber any of its assets in connection therewith; but such borrowing shall not exceed fifty per cent (50%) of the aggregate withdrawal value of the association's withdrawable capital without prior approval of the Director. A subsequent reduction of withdrawable capital shall not affect in any way outstanding obligations for borrowed money.

(b) A debt incurred by the association in violation of this section is not invalid or illegal as to the rights of the lender. (As amended by act approved June 4, 1957.)

Section 1-8. Incidental Powers.) An association also shall have any power conferred on a corporation by the Business Corporation Act, and any power not prohibited by law, which is reasonably incident to the accomplishment of the express powers conferred upon the association by this Act.

Section 1-9. Powers Not to be Exercised.)

(a) No association to which this Act applies shall accept or carry any demand, commercial or checking account.

(b) No association shall establish branches or offices at which savings or investments are regularly received or loans approved unless and to the geographical extent branch powers and offices are granted to state banks under the "Illinois Banking Act", as amended, or as it may be amended or supplemented. (As amended by act approved July 16, 1963.)

Section 1-10. Definitions.) The following words and phrases have the following respective definitions for the purpose of this Act, except to the extent

that any such word or phrase is specifically qualified by its context:

(a) "Advisory Board": the Illinois State Savings and Loan Advisory Board, as described in the article of this Act concerning Supervision.

(b) "Aggregate withdrawal value": the sum of all payments made on all withdrawable capital accounts of the association and all dividends, and bonuses credited or allocated to such accounts, and all dividends credited to "divided profits" for subsequent crediting to accounts upon maturity; less all withdrawals, retirements, and other proper deductions from accounts and all unpaid charges thereon.

(c) "Association": every association to which this Act applies, as defined in the section concerning Scope of Act.

(d) "Director": The Director of Financial Institutions, or some person authorized by him to act in his stead.

(e) "Community": a city, village, or incorporated town in this State.

(f) "Continuing association": the association which continues to exist after a merger of associations has been effected.

(g) "Federal association": a savings and loan association or savings association operating under the laws and regulations of the United States.

(h) "Fiduciary": a trustee, executor, administrator, guardian, conservator, agent, receiver, trustee in bankruptcy, assignee for creditors, or any holder of a similar position of trust.

(i) "Impaired" or "impairment", with respect to capital: a condition in which the value of the association's assets is less than the aggregate amount of the association's liabilities to creditors, members, and the aggregate value of its withdrawable capital, and the aggregate par value of its permanent reserve capital.

(j) "Insurance corporation": The Federal Savings and Loan Insurance Corporation, or such other instrumentality of or corporation chartered by the United States as hereafter may be established for the purpose of insuring the withdrawable capital of savings and loan associations.

(k) "Insured association": an association the withdrawable capital of which is insured wholly or in part by an insurance corporation.

(l) "Merger": includes consolidation.

(m) "Merging association": an association which plans or effects a merger with one or more other associations, in accordance with the provisions of this Act concerning merger.

(n) "Person": an individual, partnership, joint venture, trust, estate, unincorporated association, or corporation.

(o) "Prior act": any statute of this State which, prior to the effective date of this Act, has

governed the formation and operation of associations of the type described in the section of this Act concerning Scope of Act.

(p) "Profits": as determined by application of proper accounting principles, gross income less the aggregate of operating and real estate expenses, losses actually sustained and not charged to reserves under the provision of this Act, interest paid or accrued on Borrowings and non-recurring charges.

(q) "Publication," "publish," or "published": printed in the American language in a newspaper of general circulation published in the community in which the association's business office is located, or if no such newspaper exists in said community, then in the county in which such business office is located. Unless otherwise specified in this Act, publication shall be made once each week for 3 successive weeks.

(r) "Mail" or "mailed," with respect to a writing or notice: deposit in a United States Post Office mailing facility, in this State, postage prepaid, correctly addressed to the proper person at his address stated on the association's records or otherwise agreed upon, or if no address has been so established, then to the last known address.

(s) "Total assets": the total value of all loan contracts without deduction for the withdrawal value of any capital accounts of the association held as collateral for loans, and the total value of all other assets of the association, as determined by the application of proper accounting principles.

(t) "Withdrawal value" of a capital account: the sum of all payments made by the holder on the account and all dividends, and bonuses credited or allocated to such account, less all withdrawals, retirements, and other proper deductions therefrom and all unpaid charges thereon. However, "withdrawal value" of a share account which is voluntarily withdrawn by the holder before maturity thereof, does not include any portion of the dividends which, pursuant to the by-laws, have not been credited directly to the account but have been credited to "divided profits" of the association, and which the association is entitled to retain by reason of such voluntary withdrawal; and does not include any portion of the bonus reserve which may be retained. (As amended by act approved July 24, 1959.

ARTICLE 2—Incorporation and Organization.

Section 2-1. Applicants and Initial Capital.) Any five or more adult individuals, residents of this State, may apply for a permit to organize an association under this Act. The minimum initial capital which an association must have shall be determined by the population of the community in which the association's business office is to be located, in accordance with the following table:

Population		Minimum Capital
More than	Not more than	
—	5,000	\$ 15,000
5,000	10,000	25,000
10,000	50,000	50,000
50,000	—	200,000

If the association's business office is to be located in an unincorporated area more than five miles from the limits of any community, then the required minimum capital shall be that for a community of five thousand (5,000) population or less; otherwise, the required capital shall be that of the community to which it is adjacent, or if near several communities, that of the community with the highest population classification in the above schedule. Minimum capital to be paid in may consist of withdrawable capital and permanent reserve capital as provided in this Act. If the capital of the association to be organized includes permanent reserve capital, the amount of minimum initial permanent reserve capital shall be not less than twenty-five thousand dollars (\$25,000), and not less than fifty thousand dollars (\$50,000) if the association is to be located in a county with more than five hundred thousand (500,000) population. (As amended by act approved July 11, 1957.)

Section 2-2. Application for Permit to Organize.) The application for a permit to organize an association shall be addressed to the Director in such form as he shall provide; shall be in duplicate, personally signed by each applicant and acknowledged by each applicant in the manner provided for the acknowledgment of deeds. The applicants shall submit with their application statements, exhibits, maps, and other data, which data shall be sufficiently detailed and comprehensive to enable the Director to pass upon the application. (As amended by act approved June 4, 1957.)

Section 2-3. Findings and Hearing.) If the Director does not deny the application on the basis of the data submitted by the applicants and any other information in his possession, the applicants shall publish a notice of intention to organize in such form as the Director shall prescribe. The Director may hear evidence to determine his findings at any time prior to the issuance of a permit to organize. (As amended by act approved June 4, 1957.)

Section 2-4 Director's Approval and Issuance of Permit to Organize.) The Director shall not approve the application and issue a permit to organize unless he shall find:

(a) That a need exists for an association and that the public convenience and advantage will be promoted by the proposed association, in the community or area of operation stated in the application;

(b) That the proposed capital meets the requirements of this Act;

(c) That the general character of the proposed management is such as to assure reasonable probability of the success of the association; and further to assure the success of the association the Director

may require as a condition in the permit that insurance of withdrawable capital shall be effective prior to the issuance of a Certificate of Complete Organization;

(d) That the name of the proposed association is not the same as, or deceptively similar to, the name of any other association in the community or area of operation; and no such name shall contain the words "guaranty", "Guarantee", "insured", or any other word the meaning of which might imply that the association is insured by the insurance corporation unless in fact such insurance or a commitment to insure has been obtained, and such prohibition shall likewise extend to an association amending its articles of incorporation to change its name;

(e) That such association can be established without undue injury to properly conducted existing associations. (As amended by act approved July 9, 1959.)

Section 2-5. Subscription to Capital and Temporary Organization.) Upon receipt of the permit to organize an association, the applicants shall constitute the organization committee and shall perfect a temporary organization by electing a chairman, vice-chairman, and a secretary, who shall act as the temporary officers of such association until their successors are duly elected and qualified. Such temporary officers thereupon shall proceed to:

(a) Secure subscriptions for the required amount of capital in form and manner approved by the Director; and

(b) Call a meeting of subscribers, who shall adopt articles of incorporation and elect directors to serve until the first annual meeting of the association and until their successors are elected and qualified. (As amended by act approved June 4, 1957.)

Section 2-6. Completion of Organization.) The directors so elected shall proceed to:

(a) Organize as a board and qualify as directors;

(b) Adopt by-laws;

(c) Elect officers pursuant to the by-laws;

(d) Collect subscription to the required capital, but only after the persons designated to collect such subscriptions have been bonded as provided in this article;

(e) Take such other action as may be necessary to complete the organization;

(f) Report the completion of the organization to the Director. Unless such report is made to the Director within 6 months after the date of the permit to organize, the permit shall be deemed revoked and any subscriptions collected shall be refunded unless the Director, upon good cause shown, shall extend the time for filing such report for a fixed period which shall not exceed 6 months. (As amended by act approved July 24, 1959.)

Section 2-7. Certificate of Complete Organization.) When the board of directors has organized as provided in this Act and the report of organization has been filed with the Director, he shall make a thorough examination into the affairs of the association, and if he approves the articles of incorporation and is satisfied that all the requirements of this Act have been complied with, and that no intervening circumstance has occurred to change the Director's findings made pursuant to this Act, upon payment into the Department of Financial Institutions of the reasonable expenses of such examination as determined by the Director, he shall issue a certificate of complete organization authorizing the association to commence business. Such certificate together with the articles of incorporation shall be recorded by filing the same for record in the office of the recorder of deeds in the county in which the association is located. Upon such recording the association shall be fully organized and may commence to do business. Such certificate of complete organization and articles of incorporation, or duly certified copies of the recording thereof, shall be conclusive evidence except against the State that the association has complied properly with all requirements for organization, has been duly incorporated, and is authorized to do business under the provisions of this Act. (As amended by act approved June 4, 1957.)

Section 2-8. Contents of Articles of Incorporation.)

(a) The articles of incorporation shall set forth:

- (1) The name of the association.
- (2) The initial location of the business office.
- (3) The duration of existence, which is perpetual unless otherwise specified.
- (4) The number of directors, not less than five (5).
- (5) The authorization, if any, to issue withdrawable shares, the aggregate amount of which may be unlimited.
- (6) The authorization, if any, to issue permanent reserve shares, the aggregate number thereof, and the par value per share which shall not be less than one dollar (\$1.00).
- (7) The date of the annual meeting of the members which shall be not more than sixty (60) days after the close of the association's fiscal year.
- (8) The quorum required for action of members if a quorum other than that specified in this Act is desired.
- (9) Any other provision, not inconsistent with law, which the subscribers or members may desire, for the internal regulation of the affairs of the association.

(b) The articles need not set forth any of the powers which this Act confers. (As amended by act approved July 11, 1957.)

Section 2-9. Contents of By-laws.)

(a) The by-laws of the association shall provide for the following matters consistent with any applicable provisions of this Act:

(1) The minimum frequency of directors' meetings, which shall be at least monthly.

(2) The titles and duties of the officers.

(3) The officers authorized, or who may be authorized, by the directors to execute instruments.

(4) A description of the corporate seal.

(5) The fiscal year of the association.

(6) The location of the business office.

(b) Such by-laws may provide also for any or all of the following matters, among others, consistent with any applicable provisions of this Act:

(1) The method of calling special meetings of the members; requirements for giving notice of meetings of members in addition to the notice prescribed by this Act; and methods of nominating directors and other voting and election procedures.

(2) The method of determining the record date for voting, dividend, and other purposes.

(3) The procedure for the transfer of ownership of capital and for the enforcement of charges and liens.

(4) The plan or plans under which withdrawable capital is to be issued; the classes into which it may be divided; and the characteristics of each class as to time of issuance, times and amounts of payments to be made, classification for dividends purposes, and such other terms as are permitted by this Act.

(5) The method by which the directors may enforce retirement of unpledged withdrawable capital.

(6) The frequency with which profits of the association shall be apportioned and the methods of apportionment.

(7) Provision for establishment of executive, loan, investment, and appraisal committees, and such other special or standing committees as may be desirable.

(c) The Director may publish one or more standard forms of by-laws conforming to the provisions of this Act which may be adopted by associations. (As amended by act approved June 4, 1957.)

ARTICLE 3—Membership and Management.

Section 3-1. Members.)

(a) The membership of an association consists of:

(1) Every holder of a share account, or of one or more withdrawable or permanent reserve shares, issued by the association; and

(2) Every borrower from the association, as long as his loan remains unpaid and he remains liable to the association for the payment thereof; and every obligor of an investment made by the association under the provisions of the section of this Act concerning Investments in Obligations of Members; each of which members shall be known as a borrowing member.

(b) Each joint ownership and each joint obligation shall constitute one membership. (As amended by act approved July 11, 1957.)

Section 3-2. Members' Meetings.)

(a) Each annual meeting of the members shall be held at the time specified in the articles of incorporation; but the failure to hold an annual meeting at the time so specified shall not work a forfeiture or dissolution of the association. The board of directors, or the holders of not less than twenty per cent (20%) of the outstanding permanent reserve shares or of the withdrawal value of all withdrawable capital of the association, or such other person or persons as may be designated by the by-laws, may call a special meeting of the members. Every annual or special meeting shall be held at the business office of the association, or, if the space therein available for such meeting is inadequate, in such other place within the same county as shall be specifically designated in the notice of such meeting. Notice of an annual meeting shall be published once not less than ten (10) days nor more than forty (40) days before the date of the meeting. However, for any special meeting, or for any annual meeting which is to consider any proposition the affirmative action on which requires a two-thirds vote as set forth in this Act, the notice shall be by mail. Published or mailed notice shall state the place, day, hour and purpose of the meeting.

(b) A quorum at any meeting of the members shall consist of the members present in person or represented by proxy, who are entitled to cast a majority of the total number of votes which all members of the association are entitled to cast at such meeting; except that the articles of incorporation may specify some other quorum requirement, but not less than one-third of such total number of votes. Any meeting, including one at which a quorum is not present, may be adjourned by majority vote to a specified date without further notice.

(c) Voting at a meeting may be either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

(d) In the determination of all questions requiring ascertainment of the members entitled to

vote and of the number of outstanding shares, the following rules shall apply:

(1) The date of determination shall be as provided in the section of this Act concerning Record Date for Voting, Dividend and Other Purposes.

(2) Each person holding one or more withdrawable share accounts shall have the vote of one share for each one hundred dollars of the aggregate withdrawal value of such accounts, and shall have the vote of one share for any fraction of one hundred dollars.

(3) Each holder of permanent reserve shares shall have one vote for each permanent reserve share which he holds.

(4) Each borrowing member as such shall have the vote of one share in addition to any vote which he may have otherwise.

(5) Shares owned by the association shall not be counted or voted. (As amended by act approved July 11, 1957.)

Section 3-3. Record Date for Voting, Dividend and Other Purposes.) For the purpose of determining the holders of shares, capital accounts, and membership entitled to notice of or to vote at any meeting of the members, or in order to make a determination of the members, holders, or other persons for any other proper purpose, the by-laws may provide for a record date, not less than ten (10) days nor more than forty (40) days before the meeting, or other event or transaction with regard to which the determination is to be made; and such determination shall be made as of the close of business on such record date. If the by-laws do not provide for a record date, the board of directors may fix such a date for each such determination, within the time stated above; and if the board of directors shall fail to so fix a date, the record date for a meeting shall be the date on which the first notice of meeting is given. Shares or share accounts withdrawn or retired after such record date shall not be voted or counted in determining the number of shares outstanding. This section shall be applicable to the dividend payments on permanent reserve capital; but dividends on withdrawable capital shall be governed by the section of this Act concerning Dividends. (As amended by act approved July 11, 1957.)

Section 3-4. Directors.) The business and affairs of the association shall be exercised by its board of directors, which shall be elected, and shall exercise its powers, as follows:

(a) The board of directors shall consist of the number of directors fixed by the articles of incorporation but shall be not less than 5; all directors shall be bonafide members of the association; and at all times at least two-thirds of the directors shall be residents of this State.

(b) Directors shall be elected for one year and shall serve until their successors are elected and

qualified. In all elections of directors cumulative voting shall be permitted as provided in the Constitution of this State.

(c) In the event of a vacancy on the board of directors from any cause, the remaining directors shall have full power and authority to continue the management of the association. Each vacancy may be filled by election at a special meeting of the members.

(d) The board of directors shall hold regular meetings as provided in the by-laws. Special meetings may be held as provided in the by-laws, and also upon call by the Director after not less than 12 hours' notice by personal or mail service to each director.

(e) A majority of the board of directors shall constitute a quorum for the transaction of business unless a greater number is required in the by-laws. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by law, the articles of incorporation, or the by-laws.

(f) The board of directors shall have all powers which are necessary and proper to enable the association to accomplish its purposes.

(g) The board of directors may adopt or amend by-laws, but no by-law shall be effective until it has been submitted to and approved by the Director as being in conformity with this Act. Each adopted amendment shall be subject to the same inquiry by the Director as the corresponding provision in the original by-laws of the association except as provided in sub-section (h).

(h) If a by-law amendment provides for a change in the location of an association's business office to a location which is more than one mile distant from the existing location, the Director shall not approve the amendment unless he finds that (1) a need exists for an association in the proposed new location; (2) the capital of the association meets the minimum initial capital requirements of this Act with respect to the new location; (3) the proposed change of location can be effected without undue injury to other properly conducted associations; and (4) notice of the association's proposal to change location has been published at least once in the community of the proposed new location. The Director may hear evidence to determine his findings at any time prior to his approval or disapproval of the amendment; and he may require, as a condition of his approval, ratification of the amendment by the vote (at a meeting of the members) or the written consent of the members of the association who are entitled to cast a majority of the total number of votes which all members of the association are entitled to cast. (As amended by act approved July 24, 1959.)

Section 3-5. Waiver of Notice.) Whenever notice is required to be given under this Act, a waiver thereof in writing signed by the person or persons entitled to said notice, shall be deemed equivalent thereto.

Section 3-6. Officers.)

(a) The officers of an association shall consist of a president, one or more vice presidents, secretary, treasurer, and such other officers as the by-laws shall provide, to be elected by the directors; if the by-laws so provide, any two or more offices may be held by the same person, except that one person shall not hold the offices of president and secretary. The duties and powers of the secretary set forth in this Act may be exercised by any other officer designated by the board of directors.

(b) The existence of an association shall not terminate by reason of the failure to elect officers at the time mentioned in the by-laws, and each officer shall hold his office until his successor is elected and qualified.

Section 3-7. Bonds of Officers and Employees.)

(a) Every person appointed or elected to any position requiring the receipt, payment, management or use of money belonging to an association, or whose duties permit him to have access to or custody of any of its money or securities or whose duties permit him regularly to make entries in the books or other records of the association, before assuming his duties shall become bonded in some fidelity insurance company licensed to do business in this State. Each such bond shall be on a form or forms as the Director shall require and in such amount as the board of directors shall fix and approve.

(b) Nothing contained herein shall preclude the Director from proceeding against an association as provided in this Act should he believe that it is being conducted in an unsafe manner in that the form or amount of bonds so fixed and approved by the board of directors is inadequate to give reasonable protection to the association. (As amended by act approved June 4, 1957.)

Section 3-8. Access to Books and Records; Communication with Members.)

(a) Every member or holder of capital shall have the right to inspect such books and records of the association as pertain to his account. Otherwise, the right of inspection and examination of the books and records shall be limited to the Director, as provided in this Act, and to any Federal instrumentality or agency authorized to inspect or examine the books and records of an insured association; and no other person shall have access to the books and records except upon express authority of the board of directors, or shall be entitled to a list of the members.

(b) However, if any member desires to communicate with the other members of the association with reference to any question pending or to be pre-

sented at a meeting of the members, the association shall give him upon request a statement of the approximate number of members entitled to vote at such meeting and an estimate of the cost of preparing and mailing such communication. The requesting member then shall submit the communication to the Director who, if he finds it to be appropriate and truthful, shall direct that it be prepared and mailed to the members, upon the requesting member's payment or adequate provision for payment of the expenses of such preparation and mailing. (As amended by act approved June 4, 1957.)

ARTICLE 4—Capital.

Section 4-1. Types of Capital; Personal Property.)

(a) The capital of an association may be represented by withdrawable capital accounts (shares and share accounts) or permanent reserve shares or both, as provided in this article and as authorized by the articles of incorporation.

(b) All shares and capital accounts shall be personal property in the hands of their holders, transferable as provided in this Act and the by-laws of the association. (As amended by act approved July 11, 1957.)

Section 4-2. Withdrawable Capital.) Withdrawable capital accounts shall be:

(a) Withdrawable and subject to enforced retirement as provided in this article. Nothing in this act shall prevent the withdrawal of funds from an association by non-negotiable order.

(b) Entitled to dividends as provided in this article;

(c) Nonassessable for either debts or losses of the association;

(d) Issued on such plan or plans of payment therefor or thereon and in such series or classes as the by-laws may provide, which plan or plans of payment may include;

(1) Regular installment plan: agreed weekly or monthly payments, with dividends credited to or in behalf of the account until the ultimate value agreed upon in the subscription is reached;

(2) Full paid plan: one single payment of one hundred dollars (\$100) per unit, with dividends payable in cash unless by agreement credited to the account;

(3) Pre-paid plan: one single payment in such amount per unit as is set forth in the by-laws, with dividends credited to such account until the ultimate value of one hundred dollars (\$100) per unit is reached;

(4) Optional plan: payment in such amount or amounts and at such times as the holder

may elect, with dividends credited to such account unless by agreement payable in cash;

(5) Other plans: any other plan of payment which the Director may approve as conforming to a sound savings and loan practice. (As amended by act approved June 4, 1957.)

Section 4-3. Permanent Reserve Shares — Nature.) Permanent reserve shares shall constitute a secondary reserve out of which losses shall be paid after all other available reserves have been exhausted, and shall have a par value of one dollar (\$1.00) each or such greater amount as the articles of incorporation may prescribe; and such shares shall be:

(a) Nonwithdrawable, except as provided in the section of this article on Retirement or Reduction of Permanent Reserve Capital, until all liabilities of the association have been satisfied in full, including payment of the withdrawal value of all other types or classes of capital.

(b) Entitled to dividends only as provided in the section of this article concerning Dividends.

(c) Issued only upon cash payment of not less than the par value thereof, or in exchange for the withdrawal value of withdrawable capital accounts, or in connection with a merger, sale of all assets, or conversion, or as stock dividends as provided in the section of this article on Dividends. (As amended by act approved July 11, 1957.)

Section 4-4. Permanent Reserve Shares—Authorization of Issuance; Minimum Amount.)

(a) An association may provide for the issuance of permanent reserve shares, either by its original articles of incorporation or by an amendment thereto.

(b) The aggregate par value of the initial issue of permanent reserve shares shall be not less than the minimum initial permanent reserve capital which the association, if it were being organized, would be required to have under the provisions of the section of this Act concerning Applicants and Initial Capital; and also shall not be less than the amount computed by adding 3% of the first \$5,000,000 of the aggregate withdrawal value of the association's withdrawable capital, 2% of the next \$2,500,000 of such capital and 1% of any excess of such capital over \$7,500,000.

(c) Any plan for the issuance of permanent reserve shares shall be subject to the approval of the Director as being equitable and in conformity with the provisions of this Act, and the rules and regulations of the Director pertaining thereto. (As amended by act approved July 24, 1959.)

Section 4-5. Permanent Reserve Shares—Rights of Existing Shareholders.) When an association al-

ready in operation amends its articles of incorporation to authorize the issuance of permanent reserve shares:

(a) The association shall mail notice to each shareholder who was entitled to vote at the meeting at which the amendment was adopted, giving him the prior right for at least sixty (60) days after the date of mailing such notice, to subscribe to the initial issue of permanent reserve shares, in the same proportion which the withdrawal value of such holder's share account bears to the aggregate withdrawal value of all withdrawable share accounts in the association. Such rights to subscribe shall be transferable. No fraction of an original permanent reserve share need be issued, but in such case fractional subscription rights may be combined to authorize the subscription to one or more whole permanent reserve shares. Fractional subscription rights need not be issued for an account the withdrawal value of which is less than ten dollars (\$10.00).

(b) Unless other provision is made with respect to reserves and undivided profits, as authorized by sub-section (f) of this section, the board of directors shall determine, as of the day prior to the effective date of the amendment, the total amount of loss reserves, undivided profits, and unallocated reserves after making allowances for accrued dividends and expenses, losses not provided for, and such similar items as are chargeable against the income of the association since the last previous apportionment date. The amount so fixed shall constitute a segregated surplus of the association and may be retained in, or allocated to, such reserve accounts, undivided profits accounts, or surplus accounts as may be lawful; and other earnings of the association accruing after the effective date may be allocated to said segregated surplus and an equal amount then may be transferred to any other unsegregated account.

(c) Such segregated surplus shall be available for losses from the depreciation of securities or otherwise, except that any loss resulting from operations, including loans and investments made or purchased after the effective date of the amendment, shall be charged first to loss reserves and undivided profits created after such date until the same are exhausted.

(d) If the association merges with another as provided in this Act, the balance of such segregated surplus shall continue to be held in a segregated account or accounts for the same use and disposition as though no merger had occurred.

(e) If the association liquidates or effects a sale of all or substantially all of its assets the balance of such segregated surplus shall be distributed to each holder of its capital in the proportion that the amount of his account bears to the total capital.

(f) In lieu of the establishment of a segregated surplus as provided in this section, the plan

for the issuance of permanent reserve shares may include such other provisions with respect to the surplus, reserves and undivided profits of the association as may be approved by the vote (at a meeting of the members) or the written consent of the members of the association who are entitled to cast two-thirds (2/3) or more of the total number of votes which all members of the association are entitled to cast, and in such case the surplus, reserves and undivided profits shall be retained and disposed of in accordance with such plan. (As amended by act approved July 11, 1957.)

Section 4-6. Permanent Reserve Shares—Advertising; Sale; Collection of Subscriptions.)

(a) All prospectuses and advertising matter regarding the subscription for permanent reserve shares shall include a statement to the effect that such permanent reserve shares are not insured.

(b) No association shall pay to any person any commission or other compensation for obtaining any subscription to or sale of permanent reserve shares.

(c) The board of directors shall establish a separate account to receive all funds paid in for permanent reserve shares, and shall maintain such account until further action is authorized as follows:

(1) When the aggregate amount of such funds equals or exceeds the amount of the minimum initial permanent reserve capital which the association must obtain, and either the board of directors has decided by resolution to proceed under the permanent reserve share plan, or one year has elapsed from the date on which the issuance of permanent reserve shares was authorized and the board has taken no action, then the separate account may be terminated and the funds may be transferred to the association's general account.

(2) If the aggregate amount of such funds fails to reach the amount of the minimum initial permanent reserve capital which the association must obtain and one year has elapsed from the date on which the issuance of permanent reserve shares was authorized; or if the board of directors, within such one year period, has decided by resolution to abandon the permanent reserve share plan; then the funds in the separate account shall be returned to the respective subscribers and shall not become a liability of the association or its officers or directors. (As amended by act approved July 11, 1957.)

Section 4-7. Retirement or Reduction of Permanent Reserve Capital.)

(a) The board of directors of an association operating with permanent reserve capital may propose an amendment to the articles of incorporation providing for the retirement of all of the permanent reserve capital, and a detailed plan for effectuating such amendment. The resulting capital of the association shall be not less than the minimum initial

capital which the association, if it were being organized, would be required to have under the provisions of this Act concerning Applicants and Initial Capital. The proposal shall be submitted to the Director for his approval.

(b) If the Director approves the proposal, the association's board of directors may request in writing an appraisal of the value of the permanent reserve shares; and the Director then shall cause such an appraisal to be made, allowing proper credit to such shares from the association's segregated surplus, if any exists, and from other reserves and undivided profits. The value of the permanent reserve shares so determined may be considered in the further proceedings under this section.

(c) The proposal then may be submitted to the members at an annual or special meeting. It shall be adopted upon receiving in the affirmative the votes of the holders of two-thirds or more of the outstanding permanent reserve shares, and also two-thirds or more of the total number of votes which all other members of the association are entitled to cast thereon. The proposal shall become effective upon completion of the procedure provided in this Act for the amendment of articles of incorporation.

(d) An association may amend its articles of incorporation, in accordance with the procedure provided in this Act for such amendments, to reduce its permanent reserve capital, but in no event to an amount which is less than the minimum permanent reserve capital which the association would be required by this Act to issue if it were newly authorized to issue permanent reserve capital. (As amended by act approved July 24, 1959.)

Section 4-8. Issuance, Delivery and Transfer of Certificates and Account Books.)

(a) Every capital account shall be evidenced by one or more appropriate certificates; and either such certificates or an account book, or both, shall be delivered to the holder of such account. The wording, type, and form of the certificates and account books issued by an association shall be subject to the approval of the Director.

(b) The holder of a withdrawable capital account may transfer his rights therein absolutely or conditionally to any other person eligible to hold the same, by written assignment accompanied by delivery of the appropriate certificate or account book; but notwithstanding the effectiveness of such a transfer between the parties thereto, the association may treat the holder of record as the owner of the account for payment, voting, and all other purposes until such assignment and any accompanying certificate or account book have been received by the association with a request for the transfer on the association's records.

(c) Withdrawable capital certificates, account books, and any other evidences of membership shall

be nonnegotiable and not subject to Article 8 of the Uniform Commercial Code concerning Investment Securities. Permanent reserve share certificates shall be subject to the provisions of Article 8 of the Uniform Commercial Code concerning Investment Securities. (As amended by act approved July 16, 1963.)

(d) All withdrawable capital certificates and account books, delivered to the holders as prescribed by this article, shall be subject to attachment and execution as provided by the laws of this State, and the association shall not be subject to garnishment proceedings concerning any capital account, except with respect to a certificate or account book in the association's possession, and when

(1) Neither a certificate nor an account book has been delivered to the holder as required by this section, or

(2) The certificate and account book (or either of them if only one has been delivered) have been returned to the association's possession.

(e) If the holder of a withdrawable capital account, or the personal representative of any such person, shall file with the association an affidavit to the effect that his account book or certificate has been lost or destroyed, and that such account book or certificate has not been pledged or assigned either in whole or in part, then such association may issue a substitute account book or certificate in the name of such holder, with a statement therein that such account book or certificate is issued in lieu of the one lost or destroyed. The association shall not be liable thereafter with respect to the original account book or certificate; but the board of directors may require a bond in sufficient amount to indemnify the association against any loss which might result from the issuance of such substitute account book or certificate. (As amended by act approved July 24, 1959.)

Section 4-9. Who May Hold Capital and Membership.) Withdrawable capital accounts, permanent reserve shares, and membership in an association, may be held:

(a) By any individual in his own right, regardless of his age or marital status, or by two or more of such individuals;

(b) By a fiduciary, when authorized by law;

(c) By a government or governmental instrumentality when authorized by law;

(d) By any corporation or other person as defined in this act when not prohibited by law. (As amended by act approved July 11, 1957.)

Section 4-10. Joint Account; Trust Account; Payment on Death Account.)

(a) If two or more persons opening or holding a withdrawable capital account shall execute a written agreement with the association or federal association providing that the account shall be payable to any or the survivor of them, the account, and any balance thereof which exists from time to time, shall be held by them as joint owners with right of

survivorship and, unless otherwise agreed, any payment by the association or federal association to any of such persons shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. A pledge of such account by any holder or holders including minors authorized to withdraw amounts from such accounts shall, unless otherwise specifically agreed, be a valid pledge and transfer of the account and shall not operate to sever or terminate the joint and survivorship ownership of all or any part of the account.

(b) If one or more persons opening or holding a withdrawable capital account shall execute a written agreement with the association or federal association providing that the account shall be held in the name of such person or persons as trustees for one or more persons designated as beneficiaries, the account and any balance thereof which exists from time to time, shall be held as a trust account and unless otherwise agreed between the trustees and the association or federal association:

(1) Any such trustee during his lifetime may change any of the designated beneficiaries by a written direction accepted by the association or federal association; and

(2) Any such trustee may withdraw or receive payment in cash or check payable to his personal order and any payment or withdrawal shall constitute a revocation of the agreement as to the amount withdrawn; and

(3) Upon the death of the last surviving trustee the person or persons designated as beneficiaries who are living at the death of the last surviving trustee shall be the holders of the account (as joint owners with right of survivorship if more than one) and any payment to the holder or any of such holders shall be a complete discharge of the association's or federal association's obligation as to the amount so paid.

(c) If a person opening or holding a withdrawable capital account shall execute a written agreement with the association or federal association providing that on the death of the person named as holder, the account shall be paid to or held by another person or persons, the account, and any balance thereof which exists from time to time, shall be held as a payment on death account and unless otherwise agreed between the persons opening the account and the association or federal association:

(1) Upon the death of the holder of the account, the person or persons designated by him and who have survived him shall be the owners of the account (as joint owners with right of survivorship if more than one) and any payment made by the association or federal association to any of such persons shall be a complete discharge of the association's or federal association's obligation as to the amount paid; and

(2) The person to whom such account is issued may change during his lifetime the designa-

tion of any of the persons who are to be holders at his death, by a written direction accepted by the association or federal association; and

(3) The person to whom such account is issued may withdraw or receive payment and any payment made by the association or federal association shall be a complete discharge as to the amount paid.

(d) Whenever in any of the above situations, none of the beneficiaries of a trust account and none of the persons designated to hold on death in a payment on death account, survive the last trustee or person to whom the payment on death account is issued, the account, and any balance thereof which exists from time to time, shall be held by the trustee or holder of the account in his own right, unless it is otherwise agreed.

(e) No addition to any account, nor withdrawal, payment, revocation, or change of beneficiary or payee shall affect the nature of the account as a joint account with right to survivorship, trust account, or payment on death account.

(f) Any association or federal association may continue to recognize the authority of an attorney authorized in writing to manage or to make withdrawals either in whole or in part from the withdrawable capital account of a member until it receives written notice or actual notice of the death or adjudication of incompetency of such member or revocation of the authority of such attorney. Any payment by the association or federal association to an attorney prior to receipt of such notice shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. (As amended by act approved August 14, 1961.)

Section 4-11. Effect of Payment to Minor or Fiduciary.) Unless the written agreement provides otherwise, or unless the association or federal association has had written notice of the terms under which a fiduciary holds a withdrawable capital account, the association or federal association may make loans on the security of withdrawable capital accounts or pay the value thereof and dividends thereon:

(a) To any minor who is a holder of such withdrawable capital account;

(b) To such fiduciary who is the holder of such account without becoming liable to any beneficiary for such payment.

In each of the foregoing instances the receipt or acquittance of the person or persons to whom payment is made in accordance with the provisions of this section shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. In the case of a minor, the receipt, acquittance, pledge or other action required by the association to be taken by the minor shall be binding upon such minor with like effect as if he were of full age and legal capacity. (As amended by act approved August 14, 1961.)

Section 4-12. Payment on Incompetency or Death of Holder in His Own Right of Withdrawable Capital.)

(a) If the holder in his own right of a withdrawable capital account becomes incompetent and adjudication thereof has been made by a court of competent jurisdiction, then the association may pay the value of such withdrawable account and dividends thereon:

(1) To the conservator of such holder in his own right upon his appointment and qualification;

(2) In the case of small estates as defined in the Probate Act where the appointment of a conservator is unnecessary, then to the persons entitled thereto in accordance with the provisions of the Probate Act.

Until the association has actual knowledge that such holder has been adjudicated incompetent, it may pay to him personally and his receipt or acquittance therefor shall be a complete discharge of the association as to the amount so paid.

(b) Upon the death of a holder in his own right of a withdrawable capital account the association upon receipt of proper inheritance tax waivers may pay the value thereof and dividends thereon:

(1) To the personal representative of such deceased holder if and when qualified, in the manner provided in this Act for the voluntary withdrawal of accounts generally.

(2) In the case of small estates as defined in the Probate Act where no personal representative is appointed, then to the persons entitled thereto in accordance with the provisions of the Probate Act.

(3) After one year from the date of decedent's death, where no personal representative has been appointed and no action has been taken to obtain payment as in the case of small estates under the Probate Act, the association in its discretion may make payment to the surviving spouse or next of kin of the holder or other persons entitled thereto as in the case of small estates as provided in the Probate Act; and the association shall not become liable to any personal representative of the decedent thereafter appointed, but the directors may require a bond to indemnify the association against loss by reason of such payment.

Section 4-13. Voluntary Withdrawal of Capital Accounts.)

(a) A holder of withdrawable capital may make application for withdrawal of, and the association may pay, all or any part of the withdrawal value thereof at any time. However an association may enter into a contract pursuant to the laws of the United States or this state as they now are or as they may be amended or supplemented and such contract may in reference to said law provide among other things that no withdrawal may be made except

as provided by such law specifically referred to in the contract or the certificate of withdrawable capital.

(b) If the association has insufficient funds in the treasury and from current receipts to pay all matured accounts and applications for withdrawal, within 30 days after such accounts mature or payment is requested, then the board of directors shall provide by resolution:

(1) The amount of money available in each calendar month to pay maturities and withdrawals, in accordance with safe and required operating procedure; but after making provision for expenses, debts, obligations, and cash dividends on capital accounts, due or to become due, not less than 50% of the remainder of such treasury funds and current receipts shall be made available for the payment of withdrawals and maturities;

(2) For a list of matured capital accounts in order of maturity, and if in the same series, in order of issuance in such series; and also of applications for withdrawals in chronological order of filing. Separate lists may be established for such purposes, in which event the resolution shall provide the proportion of available money which shall be applied to each list;

(3) For a maximum sum, which shall not exceed \$1,000, which may be paid to any one holder at any one time; and if any holder's application for withdrawal or for payment of matured shares exceeds the sum so fixed, then he shall be paid in his turn the sum so fixed, and his application, reduced by such payment, shall be deemed refiled in its order as if filed on the date of such payment. Such limited payment may be made on a fixed date in each month and such refiled and renumbering, as the case may be, may take place on the same date in each subsequent month as long as any applications remain unpaid;

(4) For a maximum sum, which shall not exceed \$200, which may be paid on any application for withdrawal or to any one holder of matured shares in any calendar month, regardless of the order of application.

(c) Withdrawable capital pledged as sole security for a loan shall be subject to the withdrawal provisions of this section, but amounts available for payment on the application for withdrawal shall be applied first to the repayment of the loan balance.

(d) Withdrawable capital may be accepted by the association in payment or part payment for any real estate or other assets owned by the association; but if the association has a list of withdrawals or withdrawals and maturities, such sale of assets shall be to the highest bidder, and at least 10 days notice of the proposed sale shall be given by mail to all holders of withdrawable or matured capital whose names appear on the withdrawal or maturity list.

(e) No holder shall have more than one application for withdrawal in effect at any one time; but a holder may cancel his application or reduce the

amount thereof at any time as to any amount not yet paid.

(f) The holder of withdrawable capital for which application for withdrawal has been made, does not become a creditor by reason of such application.

(g) The board of directors of any association operating on the serial plan or with regular installment or prepaid shares on which dividends have not been credited directly to the share accounts, may determine by resolution the portion of profits which may be paid to withdrawing members.

(h) An association while operating under this Section may accept additional withdrawable capital from its present shareholders as well as accept new withdrawable capital accounts and such withdrawable capital accounts shall not be subject to the provisions of subsection (b) of this section but shall be subject to withdrawal at will so long as the association is operating under the provisions of subsection (b) of this section. (As amended by act approved July 16, 1963.)

Section 4-14. Maturity of Shares.)

(a) When a regular installment or prepaid share reaches maturity value by reason of payments or dividend credits, or both, all payments thereon by the holder shall cease. The association either shall pay to the holder the maturity value of such share, in accordance with the provisions of this article, or shall mail a notice to the holder at his last known address as it appears on the association's records, to the effect that he is entitled to receive payment for such share or to transfer the same or such portion thereof as the directors may specify, into other withdrawable capital, and that if he takes neither action within sixty (60) days after the date on which such notice is mailed, the value of such share may be held in a creditor account without interest or dividends, available for the holder upon his application, or the board of directors may transfer such share to another withdrawable account of equivalent value on which dividends shall accrue as on a new account opened on the transfer date.

(b) If the association has insufficient funds to make immediate payment upon the date of maturity of any shares, such shares shall be listed in the order of their respective dates of maturity, and shall be paid in the manner provided in the section of this article concerning Voluntary Withdrawal of Capital Accounts. Shares in the same series maturing on the same date shall be listed, as of such date, in the order in which they were issued in that series. From the date of maturity until payment, dividends shall be apportioned to such matured shares at a rate to be determined by resolution of the board of directors. Dividends so apportioned shall be accumulated to the credit of such shares and shall be paid to the holder at the time when the shares are paid. However, the rate of such dividends shall not exceed the highest rate being currently apportioned to any other shares.

Section 4-15. Enforced Retirement of Withdrawable Capital Accounts.)

(a) The board of directors, when authorized by the by-laws, and in conformity with the provisions of this section and of the by-laws, may retire any withdrawable capital accounts which have not been pledged as security for loans by enforcing the retirement thereof.

(b) A thirty (30) day notice of such enforced retirement shall be given to the holder of an account to be retired, and after the end of such thirty (30) day period, the holder shall not be entitled to further dividends, but shall be paid the full withdrawal value of his account as determined at the last preceding apportionment of profits, plus all payments made since such apportionment, and plus such additional dividends as the board of directors may determine to be equitable and within the earning rate of the association for the period which has elapsed since the last preceding apportionment of profits, but less any unpaid charges. However, all accounts upon which applications for voluntary withdrawal have been received, and all shares which have matured, shall be paid first in accordance with the provisions of this article.

Section 4-16. Authorized Charges Applicable to Members.)

(a) An association may charge an initial membership fee and a fee for transfer of membership or capital, but no such fee shall exceed twenty-five cents (25c) per share or per one hundred dollars (\$100) of the account.

(b) The association's by-laws may provide for a charge or penalty for the non-payment when due, of agreed payments on capital accounts, and of installments, interest, or premiums on loans; but no such charge or penalty shall exceed the sum of two cents (2c) per dollar of the amount payable in any one month, and no such charge or penalty shall be either compounded or cumulated. However, if a loan has been predicated on a membership entitling the borrowing member to a vote of one share, no such charge or penalty shall exceed the sum of five cents (5c) per month per dollar of the amount payable, or in lieu thereof such further interest charge as may be provided in the loan contract.

(c) All fees, charges, and penalties collected shall be accounted for as a part of the receipts of the association. (As amended by act approved July 11, 1957.)

Section 4-17. Capital Accounts Subject to Liens.) Every withdrawable capital account shall be subject to a lien for the payment of such charges as lawfully may accrue thereon under the provisions of this Act, and the by-laws may prescribe the manner of enforcing such lien; but no member shall be responsible for any losses which the then existing assets of the association shall not be sufficient to satisfy, or for any unpaid installment upon his account which is not yet due under the terms of his subscription.

Section 4-18. Apportionment of Profits.) The board of directors shall apportion the profits of the association, at least annually and as much more often as the by-laws may prescribe; and each apportionment shall be made in accordance with the following procedure:

(a) A proper allocation first shall be made to the contingent reserve and to any other reserve required by the section of this article concerning Reserves.

(b) Additional allocations then may be made to such special reserves as the board of directors may have established in accordance with the section of this article concerning Reserves.

(c) Dividends then may be declared, first on withdrawable shares and share accounts and thereafter on permanent reserve shares, in accordance with the provisions of this Act and the by-laws.

(d) The residue of such profits may be held as "undivided profits", subject to use in the same manner as profits generally; but except upon prior approval by the Director the total amount of "undivided profits" at no time shall exceed 5% of the aggregate withdrawal value of the association's withdrawable capital. (As amended by act approved July 24, 1959.)

Section 4-19. Reserves.)

(a) Each association shall have a contingent reserve to which the board of directors shall allocate such portion of the association's profits as the board may determine; except that whenever the total amount of such reserve together with special reserves for losses and the insurance reserve of an insured association is less than $7\frac{1}{2}\%$ of the aggregate withdrawal value of the association's withdrawable capital accounts, the allocation to such contingent, special reserve or the insurance reserve of an insured association upon each apportionment of profits shall total not less than 10% of the profits being apportioned, or such lesser portion as will increase the aggregate of such reserves to the required total amount. In lieu of the requirements specifically set forth in the preceding sentence, an insured association may make such allocations to the reserves as may from time to time be required by the insurance corporation. (As amended by act approved July 16, 1963.)

(b) The board of directors may establish and maintain such special reserves as they may deem advisable, to provide for losses or liabilities; the contingent reserve, or any of such special reserves, may be designated as the insurance reserve for an insured association, or transfers from such reserves in whole or in part may be made to the insurance reserve; and losses may be charged to such reserves as the board of directors may determine.

(c) In addition to the foregoing reserves, an association operating under a bonus plan, as authorized by the section of this Act concerning Bonus Plans, shall establish and maintain a bonus reserve in such an amount as will be sufficient to satisfy the

obligations of such plan; and any excess amount in said reserve may be transferred from time to time to undivided profits. (As amended by act approved August 14, 1961.)

Section 4-20. Dividends.)

(a) Subject to the restrictions set forth in this section and the association's by-laws, the board of directors from time to time may determine the rate and amount of dividends to be paid on capital, and for that purpose may establish reasonable classifications of withdrawable capital accounts, based on (1) types or classes of such accounts, or (2) the length of time accounts are continued in effect, or (3) size of initial payments on accounts, or (4) minimum balances of accounts during apportionment periods, or (5) frequency and extent of the activity of accounts, or (6) such other classifications as the Director may approve; and the Director is authorized to prepare model plans of classifications for adoption by associations.

(b) However, the declaration of dividends on capital shall be subject to the following restrictions:

(1) No dividends shall be declared when the total amount of the contingent reserve is less than that required by the section of this Act concerning Reserves, unless the allocation provided by said section has been made.

(2) Regardless of any dividend rate to which any class of withdrawable share account is entitled, by limitation as expressed in the appropriate certificate or account book, or by action of the board prior to the date of the dividend declaration, no dividend shall be declared on such class which exceeds the dividend rate currently declared on withdrawable share accounts which are unlimited as to participation in dividends.

(3) The rate of dividend allocated to withdrawable share accounts which according to their terms are unlimited as to participation in dividends, shall not exceed by more than 1% the rate of dividends allocated to the class of share accounts which is entitled to the highest limited rate of participation, unless the total withdrawal value of such unlimited accounts is more than 20% of the aggregate withdrawal value of all withdrawable capital of the association, or unless the association has discontinued the issuance of unlimited accounts, or unless unlimited accounts are being offered and made available for issuance without discrimination.

(4) No dividends shall be declared on permanent reserve shares until after payment or provision has been made for all expenses, losses, required reserves, and dividends on withdrawable capital; or at a time when the par value of all the permanent reserve shares outstanding, all undivided profits, and all reserves available for losses, total less than 5% of the aggregate withdrawal value of the association's withdrawable capital, or when the payment of such a dividend would reduce such total amount to less than such 5%. However, a stock dividend may be declared out of undivided profits at any time.

(c) A dividend need not be allocated to any share account, other than a regular installment share account, which has a withdrawal value of less than \$10 on the record date with respect to which the dividend is paid; and no allocation need be made to a share account which by written agreement will be closed within 15 months of the date on which such account is opened.

(d) The board of directors shall determine by resolution the method of calculating the amount of any dividend on withdrawable capital, and the date on which the same is to be declared or credited; but no payment or credit shall be made more than 10 days before the end of any apportionment period. (As amended by act approved July 24, 1959.)

Section 4-21. Bonus Plans.) For the purpose of encouraging thrift, systematic savings, and long term investment, the board of directors may establish by resolution bonus plans for holders of withdrawable capital accounts; and the board then shall transfer from the periodical profits of the association additional amounts to a bonus reserve as provided in the section of this Article concerning Reserves, from which reserve payments to holders complying with such plans shall be paid. Every bonus so paid shall be deemed a premium and shall not be construed as a dividend. The bonus plans shall be in accordance with the following provisions:

(a) The holder shall agree to make regular payments at least monthly, of any predetermined amount, until the payments together with dividends apportioned thereto equal two hundred (200) times the agreed monthly payment and without a delay of more than sixty (60) days in any payment, without a prepayment of more than twelve (12) months and without making application for withdrawal of all or any part of the account. At the end of the bonus period, the holder shall receive, in addition to the regular monthly payments and dividends apportioned thereto, a bonus at the rate of one per cent (1%) per annum computed on the withdrawal value of the account at each apportionment of profits. However, if the holder shall apply for withdrawal of his account in part or in full or shall fail to meet any and all the other terms of his bonus agreement after such account, including dividends apportioned thereto, has reached:

(1) At least fifty (50) but less than one hundred (100) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive one-fourth ($\frac{1}{4}$) of the bonus allocable to such account;

(2) At least one hundred (100) but less than one hundred fifty (150) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive one-half ($\frac{1}{2}$) of such bonus allocable to such account;

(3) At least one hundred fifty (150) but less than two hundred (200) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to re-

ceive three-fourths ($\frac{3}{4}$) of such bonus allocable to such account.

(b) The holder shall subscribe to a long-term investment plan providing that if he maintains in his account an agreed balance (1) if for a period of four (4) years, he shall be paid a bonus of an agreed rate not to exceed one-half of one per cent per annum, or (2) if for a period of eight (8) years, he shall be paid a bonus of an agreed rate not to exceed one per cent per annum. The plan may state the minimum and maximum balances on which a bonus may be paid.

(c) If the association effects an enforced retirement of an account which is under a bonus plan before the bonus becomes payable according to the plan, the portion of the bonus reserve allocable to the account shall be paid to the holder.

(d) Other Bonus Plans. Any bonus plan other than those provided for by paragraph (b) of this Section may be established for the purpose of encouraging thrift, systematic savings or long-term investment upon approval by the Director of Financial Institutions by general regulation, except that any such other bonus plan so approved shall not allow a bonus in excess of that allowed for Federal associations. (As amended by act approved August 14, 1961.)

ARTICLE 5—Investments.

Section 5-1. Investment in Obligations of Members.) An association may loan funds to members as follows:

(a) On the security of withdrawable capital accounts, but no such loan shall exceed the withdrawal value of the pledged account;

(b) On the security of real estate:

(1) Of a value, determined in accordance with the section of this Act concerning Appraisals, sufficient to provide good and ample security for the loan; and

(2) With a fee simple title which is unencumbered except as permitted in the section of this Article concerning Real Estate Encumbrances; or

(3) A leasehold title of not less duration than 14 years beyond the maturity of the loan; and

(4) With the title established by such evidence of title as is consistent with sound lending practices in the locality; and

(5) With the security interest in such real estate evidenced by an appropriate written instrument and the loan evidenced by a note, bond or similar written instrument. A loan on the security of the whole of the beneficial interest in a land trust shall be deemed to satisfy the requirements of this paragraph if the title to the land is held by a corporate trustee and if the real estate held in the land trust meets the other requirements of this subsection.

(c) For the purpose of repair, improvement,

rehabilitation, or equipment of real estate. However, any such loans which are not secured, guaranteed, or insured, as provided in this section, (1) shall be limited to \$5,000 each, exclusive of legal and financing charges; (2) shall be repayable over a period of 5 years or less, in substantially equal installments not less frequent than semi-annual; and (3) shall not be made if the resulting aggregate unpaid balances of all of such loans would exceed 20% of the association's total assets;

(d) Through the purchase of loans which at the time of purchase the association could make in accordance with the provisions of this section and by-laws;

(e) Through the purchase of installment contracts for the sale of real estate, and title thereto which is subject to such contracts, but in each instance only if the association at the time of purchase could make a mortgage loan of the same amount and for the same length of time on the security of such real estate;

(f) Through loans guaranteed or insured, wholly or in part by the United States or any of its instrumentalities, and without regard to the limits in amount and terms otherwise imposed by this Article;

(g) On the security of any of the above authorized investments. (As amended by act approved July 16, 1963.)

Sec. 5-2. Other Investments.) If the board of directors determines at any time that funds are available in excess of the demands and needs of members for loans, maturities and withdrawals, an association may invest such funds as specified in Section 5-2.1 to 5-2.10, inclusive. (As amended by act approved August 14, 1961.)

Sec. 5-2.1. Subject to Section 5-2, an association may invest in withdrawable capital of any state or Federal Association which is a member of an insurance corporation as defined in this Act. (As amended by act approved August 14, 1961.)

Sec. 5-2.2. Subject to Section 5-2, an association may invest in participating interests in mortgage loans of a type which the association would be authorized to make, if the other participants are associations or corporations insured by an instrumentality of the United States, or are instrumentalities of or corporations owned wholly or in part by the United States or this State. (As amended by act approved August 14, 1961.)

Sec. 5-2.3. Subject to Section 5-2, an association may invest in obligations of or fully guaranteed by the United States; in stocks or obligations of Federal Home Loan Banks; in stocks or obligations of the Federal National Mortgage Association. (As amended by act approved August 14, 1961.)

Sec. 5-2.4. Subject to Section 5-2, an association may invest in bonds or other direct obligations of or guaranteed as to principal and interest by this State. (As amended by act approved August 14, 1961.)

Sec. 5-2.5. Subject to Section 5-2, an association may invest in obligations which by the laws of this State are made legal investments for savings and

loan associations. (As amended by act approved August 14, 1961.)

Sec. 5-2.6. Subject to Section 5-2, an association may invest in bonds or other evidences of indebtedness which are direct general obligations of any county, city, town, village, school district, sanitary district, park district, or other political subdivision or municipal corporation of this State, or in bonds or other evidences of indebtedness which are payable from revenues or earnings specifically pledged therefor of the county or an adjoining county or a political subdivision or municipal corporation of the county in which the business office of the association is located or an adjoining county, but in no event shall the total amount of such securities of any one maker or obligor exceed 2% of the association's total assets nor shall the aggregate amount of investments under this Section exceed 15% of such total assets. (As amended by act approved August 14, 1961.)

Sec. 5-2.7. With the approval of the Director and subject to Section 5-2, an association may invest in the initial purchase and development, or the purchase or commitment to purchase after completion, of home sites and housing for sale or rental, including (without being limited to) projects for the reconstruction, rehabilitation, or rebuilding of residential properties to meet the minimum standards of health and occupancy prescribed by appropriate local authorities, and the provision of accommodations for retail stores, shops, and other community services which are reasonably incident to such housing projects; or in the shares of a corporation which owns one or more of such projects and which is wholly owned by one or more financial institutions whose investments are regulated by the laws of this State or of the United States. The association's aggregate investment under this Section shall not exceed 10% of its total assets, and no association shall make an investment of this type unless it has reserves and undivided profits, or permanent reserve capital, totaling at least 5% of the aggregate withdrawal value of the association's withdrawable capital. The Director shall approve the investment only if the association shows:

(1) That the association has adequate assets available for such an investment; and

(2) That the proposed investment does not exceed the reasonable normal value of the property or interest therein; and

(3) That there is a reasonable probability of such investment being profitable; and

(4) That unless the proposed project meets the requirements of paragraph (5) of this Section, the proposed project does not include the construction of dwellings designed for occupancy by 4 families or less; except that in the event the home sites or any portion of a project are not sold within a reasonable time after same have been made available for sale (such period of time to be determined upon application to the Director) such project or portion thereof may be further developed as hereinabove provided; and

(5) That the proposed project is to be located in an area, including any contiguous area

acquired incidental thereto, determined by the Director to be an urban renewal, redevelopment, blighted, conservation area, or any other similar area provided for by the laws of the United States, the State of Illinois or local ordinances for slum clearance, conservation, blighted area redevelopment, urban renewal, or of a similar nature or purpose and in the event of such determination by the Director, the provisions of paragraph (4) of this Section shall not be applicable; and

(6) That all other requirements of this Section have been met.

Nothing herein contained shall prohibit an association from developing or building on land acquired by it under any other provision of this Act, nor shall an association be prohibited from completing the construction of buildings pursuant to any construction loan contract where the borrower has failed to comply with the terms of such contract; nor shall any amendment to this Section have a retroactive effect upon any project initiated prior to July 23, 1959, as evidenced by any contract, option, or application to the Director in accordance with the terms of this Section prior to July 23, 1959, nor to any revision or change in the terms of such application requested by the Director prior to his approval. (As amended by act approved August 14, 1961.)

Section 5-2.8. Subject to Section 5-2, an association may invest in marketable investment securities, but in no event shall the total amount of such securities of any one maker or obligor exceed 2% of the association's total assets, nor shall the aggregate amount of investments under this Section exceed 15% of such total assets. As used in this Section, the term "marketable investment securities" does not include stocks, but means marketable obligations evidencing indebtedness of any person in the form of bonds, notes, or debentures commonly known as investment securities, and of a type customarily sold on recognized exchanges or traded over the counter. (As amended by act approved August 14, 1961.)

Section 5-2.9. Subject to Section 5-2, an association may invest in stocks or obligations of business development corporations chartered by this state or by the United States or an agency thereof, but in no event shall the aggregate amount of stock exceed $\frac{1}{2}\%$ of the aggregate withdrawal value of the association's withdrawable capital or \$250,000 whichever is less. (As amended by act approved August 14, 1961.)

Section 5-2.10. Subject to Section 5-2, an association may invest in obligations of urban renewal investment corporations chartered under the laws of this state, or the United States, or in certificates of beneficial interest of urban renewal investment trusts, but in no event shall the aggregate amount of such stock, obligations or beneficial interest certificates of any one maker exceed 2% of the association's total assets, nor shall the aggregate amount of investments under this section exceed 5% of such total assets. (As amended by act approved August 14, 1961.)

Section 5-3. Real Estate Encumbrances.)

(a) Real estate is encumbered within the meaning of this article unless the security instrument establishes a first lien upon such real estate.

(b) Real estate is not encumbered within such meaning merely by reason of the existence of (1) instruments reserving rights-of-way, sewer rights, or rights in wells; or (2) building restrictions or other restrictive covenants; or (3) a lease under which rents or profits are reserved by the owners; or (4) current taxes or assessments not yet payable; or (5) other encumbrances which, in accordance with sound lending practices in the locality, are not regarded as constituting defects in real estate titles.

(c) A loan may be made under this article on real estate which is subject to a prior lien or other encumbrance which is owned by or exists in favor of the association; or to a prior lien the full amount of which is deducted from the amount of the loan and retained by the association to pay such lien, or which is fully provided for in the closing of the loan transaction.

Section 5-4. Lending Plans.) The board of directors may specify the terms on which loans to members will be made, including (but not limited to) the following lending plans:

(a) **Direct Reduction of Principal:** Such plan shall provide for regular payments which will completely amortize the indebtedness, including principal, interest, or interest and premium, advances, and other charges authorized by this Act, with payments to be made in such amount or amounts and at such time or times as may be agreed upon. If the loan is to be repaid on the monthly direct reduction of principal plan, the balance shall be determined monthly, and interest or interest and premium may be charged on the preceding monthly balance at one-twelfth of the annual rate, and added to such balance, together with any advances made by the association; and from such total indebtedness, payments made by the borrower shall be deducted, and such payments shall be applied first to interest or interest and premium. If the loan is being repaid on a direct reduction plan with payments made less often than monthly, but at least semi-annually, interest or interest and premium shall be charged at one-twelfth of the annual rate multiplied by the number of the months elapsed since the date of the last payment; and interest or interest and premium on an advance made may be charged from the first day of the month during which the advance was made; or if the advance was made after the fifteenth day of the month, interest or interest and premium may be charged as of the first day of the succeeding month; but such interest or interest and premium shall not be compounded.

(b) **Share Accumulation Plan:** Such plan shall provide for the subscription to shares the matured value of which in even shares shall be not less than the amount of the loan. Interest shall be charged on such loan until the accumulation on the shares, consisting of payments and dividends less

charges, if any, authorized by this Act, shall equal the amount loaned, whereupon the shares shall be cancelled against the loan balance, and the loan shall be considered repaid. The plan may provide further for repayment through the application of shares, or cash and shares, as the board of directors may determine.

(c) **Gross Charge and Discount Plan:** Property improvement loans and loans the duration of which is 5 years or less, and the amount of each of which does not exceed \$5,000, exclusive of legal and financing charges, may be repaid under a gross charge or discount method, but in the event of repayment in full prior to maturity, the association shall make a rebate at a rate not less than 6% per annum of the amounts so paid in advance of their due dates if the financing charge applicable to the loan is in an amount equivalent to \$5.00 discount per \$100 original face amount of a one-year note, and if a greater or lesser charge has been taken, the rebate shall be at not less than a proportional rate.

(d) **Insured or Guaranteed Loans:** Loans insured or guaranteed wholly or in part by the United States or any instrumentality thereof may be made and repaid in accordance with the applicable Federal law and regulations.

(e) **Straight Mortgage Loans:** Loans of a type which may be made on an installment basis, also may be made and repaid without full amortization; but no such loan shall be made for a term exceeding 5 years, or in an amount exceeding 50% of the appraised value of the security, except that a loan may be made in an amount not exceeding 60% of such value if the term is not more than 3 years, or in an amount not exceeding 80% of such value if the term is not more than 18 months. Interest on such loans shall be payable not less often than semi-annually. No association shall make such straight mortgage loans if the resulting aggregate unpaid balances of all of such loans would exceed 15% of the association's total assets. (As amended by act approved July 16, 1963.)

Section 5-5. General Loan Contract Provisions.)

(a) Each loan, and any agreement for securing the same, shall be evidenced by one or more written instruments, consistent with sound lending practices in the locality; and whenever recording of such an agreement is necessary to establish priority over the claim of any third party, the agreement shall be recorded.

(b) The loan contract terms shall afford full protection to the association, and shall include, among other things, provision for:

(1) The payment of taxes, assessments, other governmental levies, maintenance and repairs, granting the association the right to make payments thereon or for any other item which, if unpaid, would create a lien prior to that of the loan contract;

(2) Adequate insurance to cover the usual risks on the property offered as security for the loan, and in such form, coverage, and amounts

and in such company or companies as the board of directors may approve;

(3) The right to prepay the loan in whole or in part at any time, but the association may require payment of not more than 6 months' advance interest on that part of the aggregate amount of all prepayments on a loan in one year, which exceeds 20% of the original principal amount of the loan.

(c) The loan contract may provide for:

(1) An assignment of rents;

(2) Life insurance to be assigned as additional collateral, in which event the association shall obtain a first lien upon the policy;

(3) A single premium to be paid in advance or deducted from the loan balance, but if the loan is written on the direct reduction of principal plan to amortize the indebtedness in more than 4 years and the premium exceeds 4% and the loan is repaid prior to the expiration of 4 years from the date of its making, the association shall refund one-fourth of the premium in excess of said 4% for each year of the said 4 years then unexpired;

(4) Additional or future advances to be made at the option of the parties up to a total amount stated in the recorded security instrument;

(5) Regular periodical payments together with a lump sum payment required to create a fund in the association to pay when due all taxes as of January 1 of each year when such taxes become a lien against the real estate security, assessments, insurance premiums, ground rents, and other current charges against the real estate security, and the application or crediting of such payments;

(6) Any other covenant or agreement which the association may deem necessary or which is customary in the locality.

(d) If any payment required to be made by the borrower to discharge the performance of any obligation under the loan contract, is not made, or if any fund created for such payment is insufficient to discharge the obligation completely, the association may advance the same and add the required amount to the unpaid balance of the loan as of the first day of the month during which such advance was made and the advance and interest thereon shall be secured by the security instrument.

(e) The first payment on any regular installment loan other than a construction loan, insured loan, or guaranteed loan, shall begin not later than 60 days after the advance of the loan. The first payment on a loan insured or guaranteed shall be upon terms acceptable to the insuring or guaranteeing agency. The first payment on a construction loan shall be not later than 12 months after the date of the first disbursement. (As amended by act approved July 16, 1963.)

Section 5-6. Extension and Modification Agreements.)

(a) When the balance of a loan being repaid under the direct reduction of principal plan does not exceed forty per cent (40%) of the value of the se-

curity therefor, and the loan has been reduced by periodical payments over a period of not less than three (3) years to the extent that the unpaid balance does not exceed fifty per cent (50%) of the amount originally secured, the board of directors may agree in writing with the borrower that for a period not to exceed three (3) years, no payments need be made on the unpaid principal amount of the loan; and the loan contract and the security instrument shall not be prejudiced by the making of such extension agreement, even if such an extension was not provided for in the loan contract. However, interest or interest and premium, taxes, assessments, insurance premiums, and other charges which the borrowing member is obligated to pay, shall be paid when due either to or for the benefit of the association. No such extension shall be granted at a time when the association has insufficient funds to pay all withdrawable capital accounts which have matured or have been listed for voluntary withdrawal.

(b) The association at any time may enter into a written agreement with the borrower to modify, in any manner not inconsistent with the provisions of this Act, the terms of a loan as to the amount, time, or method, of the payments to be made, the interest rate, and any other provision of the loan contract; and the loan contract and the security instrument shall not be prejudiced by the making of any such modification, even if such a modification was not provided for in the loan contract.

Section 5-7. Sale, Assignment, and Servicing of Loans and Contracts.)

(a) No association shall engage in the mortgage brokerage business; but any association may sell any loan or a participating interest in a loan at any time, in the usual and regular course of business, if the total amount of loans so sold by the association, including such sale, within the calendar year beginning January 1 immediately preceding the date of such sale, does not exceed 20% of the total amount of all loans held by the association at the beginning of such calendar year. All loans sold shall be sold without recourse. The Director may adjust the foregoing limitations upon the sale of loans, upon application showing an emergency need to pay withdrawals, or an emergency need for loans in the community or area of operation in which the association is located, such loans being in greater demand than the association currently is able to meet.

(b) An association may contract to service a loan or a participating interest in a loan originally made by the association and later sold, but such a contract shall conform to the pertinent regulations prescribed by the Director, and shall require sufficient compensation to reimburse the association for all expenses incurred under such contract.

(c) An association may sell and assign without recourse any master's certificate of sale, defaulted loan, or defaulted real estate contract, to any person eligible to purchase the same, for an amount not less than the fair cash market value

thereof. (As amended by act approved August 14, 1961.)

Section 5-8. Purchase of Real Estate at Forced Sale.) An association may purchase, at any sheriff's or other judicial sale, either public or private, any real estate upon which the association has any mortgage, lien, or other encumbrance, or in which the association has any other interest. The association thereafter may repair, improve, sell, convey, lease, mortgage, exchange, or otherwise dispose of, real estate so acquired, in the best interests of the association, without limitation.

Section 5-9. Purchase of Real Estate for Office and Rental Purposes.) An association may acquire and hold real estate in fee simple, or leaseholds on which a building or buildings exist or are to be erected, suitable for the transaction of the association's business, and from portions of which, not required for the association's own use, revenue may be derived; or may own all or part of the capital stock, shares, or interest in any corporation, association, or trust, engaged solely in holding all or part of such real estate. However, the amount so invested shall not exceed five per cent (5%) of the association's total assets, unless the Director, upon a proper showing shall approve a larger amount consistent with the needs of the association's business and its immediate future expansion. (As amended by act approved June 4, 1957.)

Section 5-10. Usury Laws Inapplicable.) By reason of the cooperative nature of associations operating under this Act, no interest, premium, or interest on such interest or premium, or charge, which may accrue to an association under the provisions of this Act, shall be deemed to be usurious; and the same may be collected in the same manner as other debts in accordance with the laws of this State.

Section 5-11. Prohibited Loans.) No loan shall be made to a majority permanent reserve shareholder, officer, or director of an association issuing permanent reserve shares, either for himself or as agent, or as partner of another, except upon real estate occupied by such shareholder, officer, or director as a homestead, or upon the security of withdrawable capital; nor shall any loan be made by an association to any corporation of which a majority of the stock is owned or controlled individually or collectively by any one or more of the directors, officers, or majority permanent reserve shareholders of such association. (As amended by act approved July 11, 1957.)

Section 5-12. Effect of Unauthorized Investments; Liability of Officers.)

(a) Every loan or other investment made in violation of this Act shall be due and payable according to its terms, and the obligation thereof shall not be impaired.

(b) Every director or officer of an association who knowingly shall violate, participate in, or assent to, or who knowingly shall permit any of the officers or agents of the association to make, investments not authorized by this Act, shall be liable individually for all damage which the association or

its members sustain in consequence of such violation.

Section 5-13. Appraisals.)

(a) Every appraisal or reappraisal of property which an association is required to make shall be made as follows:

(1) By an independent qualified appraiser designated by the board of directors; or

(2) By the association's appraisal committee appointed by the board of directors; or

(3) In the case of an insured or guaranteed loan, by any appraiser appointed by any lending, insuring, or guaranteeing agency of the United States or the State of Illinois, which shall insure or guarantee such loan, wholly or in part.

(b) Each appraisal shall be in writing with a certificate signed by the appraiser or appraisers, stating that he or they have personally examined the described property, setting forth the value of the land, and the nature and value of the improvements, if any; which appraisal shall be filed and preserved by the association.

Section 5-14. Acknowledgments.) No acknowledgment of a deed, mortgage, or other instrument shall be invalid because such acknowledgment was taken before an officer authorized by the laws of this State to acknowledge conveyances, who is also a member, director, employee, or officer of an association which is a party to such deed, mortgage, or other instrument.

ARTICLE 6—Voluntary Corporate Changes.

Section 6-1. Amendment of Articles of Incorporation.) An association may amend its articles of incorporation from time to time, in accordance with the procedure prescribed in this article; but the articles, as amended, shall conform to all legal requirements which pertain to original articles adopted at the time of such amendment. Any number of amendments may be submitted to the members, and voted upon by them, at one meeting.

Section 6-2. Procedure to Amend Articles of Incorporation.) The procedure to effect an amendment of articles of incorporation shall be as follows:

(a) The board of directors shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of the members, which may be an annual or a special meeting.

(b) The proposed amendment, or a summary of the changes to be effected thereby, shall be set forth in the notice of meeting mailed as prescribed in the section of this Act concerning Members' Meetings.

(c) The proposed amendment will be adopted upon receiving, in the affirmative, two-thirds or more of the total number of votes which all members of the association are entitled to cast, except that an amendment effecting a retirement of all permanent reserve capital must receive the vote specified in the section of this Act concerning Retirement or Reduction of Permanent Reserve Capital. A report of proceedings, verified by the president or a vice-president and attested by the secretary and

setting forth the notice given and time of mailing thereof, the amendment adopted, the vote thereon, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed promptly with the Director.

(d) Each adopted amendment shall be subject to the same inquiry by the Director as the corresponding provision in original articles of incorporation, including (but not limited to) the availability of a proposed new name of the association. If the Director approves an amendment, he shall issue to the association a certificate setting forth the amendment and his approval thereof. The amendment shall become effective when such certificate is recorded in the same manner as the association's articles of incorporation.

(e) No amendment of articles of incorporation shall affect any existing cause of action either in favor of or against the association, or any pending action in which the association shall be a party, or the existing rights of persons other than members of the association; and if the amendment has changed the name of the association, no action brought by or against the association under its former name shall be abated for that reason. (As amended by act approved July 24, 1959.)

Section 6-3. Existing Associations — Adoption of Articles and By-laws.) Any existing association the by-laws of which contain provisions enumerated in the section of this Act concerning Contents of Articles of Incorporation, at an annual or special meeting may amend its present charter, articles of incorporation, certificate of complete organization, or other instruments concerning organization, by adopting articles of incorporation containing the provisions enumerated in said section. Such adoption shall repeal the existing by-laws of the association without further action, and the board of directors shall adopt new by-laws in accordance with the provisions of this Act. The procedure to be followed in adopting or amending articles of incorporation shall be that prescribed in the preceding section.

Section 6-4. Merger — Adoption of Plan.) Any two or more associations operating under this Act or under Federal charter and located in this State may merge into one association operating under this Act. The board of directors of each merging association, by resolution adopted by a majority vote of all members of such board, must approve the plan of merger, which shall set forth:

(a) The name of each of the merging associations, and the name of the continuing association and the location of its business office;

(b) The amount of capital, reserves, and undivided profits of the continuing association, and the kinds of shares and other types of capital to be issued thereby;

(c) The articles of incorporation of the continuing association;

(d) A detailed pro forma financial statement of the assets and liabilities of the continuing association;

(e) The manner and basis of converting the capital of each merging association into capital of the continuing association;

(f) The other terms and conditions of the merger and the method of effectuating the same;

(g) Such other provisions with respect to the merger as appear necessary or desirable, or as the Director may reasonably require to enable him to discharge his duties with respect to such merger. (As amended by act approved June 4, 1957.)

Section 6-5 Merger — Approval by Director.)

(a) The plan of merger adopted as aforesaid shall be submitted to the Director for approval, together with a certified copy of the authorizing resolution of each board of directors, showing approval by a majority of the entire board of each merging association operating under this Act and evidence of proper action by the board of any merging Federal association.

(b) The Director may make or cause to be made an examination of the affairs of each of the merging associations.

(c) The Director shall approve the plan of merger if, after appropriate inquiry into the affairs of each of the merging associations, he finds that:

(1) The continuing association meets the requirements of this Act as to the organization of a new association;

(2) The plan provides an adequate capital structure;

(3) The plan is fair to all persons affected; and

(4) The plan meets the approval of the insurance corporation, if such approval is required.

(d) If the Director disapproves the plan of merger, he shall state his objections in writing and give the merging associations an opportunity to amend the plan of merger, to obviate such objections. (As amended by act approved June 4, 1957.)

Section 6-6. Merger—Approval by Members.)

After approval by the Director, the plan of merger shall be submitted to a vote of the members of each merging association. Each meeting of the members of an association operating under this Act shall be called and held in accordance with the section of this Act concerning Members' Meetings. The plan will be approved by the members of an association if the plan receives, in the affirmative, $\frac{2}{3}$ or more of the total number of votes which all members of the association are entitled to cast. Each meeting of a Federal association shall be called and held, and the required majority must be obtained, in accordance with the applicable Federal law and regulations. (As amended by Act approved July 9, 1959.)

Section 6-7 Merger — Director's Certificate; Effective Date.)

(a) A report of proceedings at the meeting of the members of each association, certified by the president or a vice-president and attested by the secretary thereof, and setting forth the notice given and time of mailing thereof, the vote on the plan of

merger, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed in duplicate with the Director, together with the plan of merger, duly executed by each merging association. The Director thereupon shall issue to the continuing association a certificate of merger, setting forth the name of each merging association and the name of the continuing association, and the articles of incorporation of the continuing association; and attaching thereto, as a part thereof, a copy of the report of proceedings filed as aforesaid by each merging association.

(b) The merger shall become effective upon the recording of the certificate of merger in the same manner as articles of incorporation, in each county in which the business office of any of the merging associations was located, and in the county in which the business office of the continuing association is located.

(c) When duly recorded as aforesaid, the certificate of merger shall be conclusive evidence, except against the State, of the merger and of the correctness and validity of all proceedings in connection with the merger. (As amended by act approved June 4, 1957.)

Section 6-8 Merger—Director's Expenses.) The expenses of any examination made by or at the direction of the Director in connection with a proposed merger shall be paid by the merging associations. (As amended by act approved June 4, 1957.)

Section 6-9. Effect of Merger.)

(a) The continuing association shall be considered the same business and corporate entity as each merging association, with all of the property, rights, powers, duties, and obligations of each merging association, except as otherwise provided by the articles of incorporation of the continuing association.

(b) All liabilities of each of the merging associations shall be liabilities of the continuing association; and all of the rights, franchises, and interests of each of the merging associations in and to every kind of property, real, personal or mixed, shall vest automatically in the continuing association, without any deed or other transfer.

(c) Any reference to a merging association in any writing, whether executed or effective before or after the merger, shall be deemed a reference to the continuing association, if not inconsistent with the other provisions of such writing.

(d) No pending action or other judicial proceeding to which any merging association is a party shall be abated or discontinued by reason of the merger, but may be prosecuted to final judgment, order or decree in the same manner as if the merger had not occurred.

Section 6-10. Sale of All Assets.) An association, in one transaction not in the usual and regular course of its business, may sell all or substantially all of its assets, with or without its name and goodwill, to another association or to a Federal association, in consideration of money, capital, or obligations of the purchasing association.

Section 6-11. Procedure to Effect Sale of All Assets.) The procedure to effect a sale authorized by the foregoing section shall be as follows:

(a) The board of directors shall adopt a resolution setting forth the terms of the proposed sale and directing the submission thereof to a vote at a meeting of the members, which may be an annual or special meeting.

(b) The said terms shall be set forth in the notice of meeting mailed as prescribed in the section of this Act concerning Members' Meetings.

(c) The proposed sale will be approved by the members upon receiving in the affirmative, two-thirds (2/3) or more of the total number of votes which all members of the association are entitled to cast. A proposal for the voluntary liquidation of the association shall be submitted to the members at the same meeting or at any adjournment thereof, or at any later meeting called for such purpose, in accordance with the article of this Act concerning Voluntary Liquidation. A report of proceedings, certified by the president or a vice-president and attested by the secretary, and setting forth the terms of the proposed sale, the notice given and time of mailing thereof, the vote on the proposal, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed with the Director.

(d) If the Director finds that the proposed sale is fair to all holders of capital, creditors, and other persons concerned, and provision has been made for the disposition of the remaining assets, if any, of the association as provided in this Act for reorganization or voluntary liquidation, then he shall issue to the association a certificate of authorization for such sale, attaching thereto, as a part thereof, a copy of the report of proceedings filed as aforesaid.

(e) Upon recording said Director's certificate in the same manner as the association's articles of incorporation, the association may complete the sale so authorized; except that an insured association first shall obtain the approval of the insurance corporation.

(f) If the sale includes the name of the association, the purchasing association shall have the exclusive right to such name for a period of five (5) years.

(g) If the association has failed to adopt a plan of voluntary liquidation, the Director may proceed against such association as provided in the article of this Act concerning Involuntary Liquidation. (As amended by act approved June 4, 1957.)

Section 6-12. Conversion from State to Federal Association.) Any association operating under this Act may become a Federal association pursuant to the laws and regulations of the United States and in accordance with the following procedure:

(a) The board of directors shall approve a plan of conversion by resolution adopted by majority vote of all of the directors. The plan shall set forth, among other terms:

(1) A financial statement of the association as of the last business day of the month pre-

ceding the adoption of the plan;

(2) The disposition of withdrawable capital and permanent reserve capital, if any;

(3) Adjustments, if any, in the value of the withdrawable accounts when exchanged for comparable accounts in the Federal association;

(4) The disposition of any segregated surplus established under the provisions of the section of this Act concerning Permanent Reserve Shares—Rights of Existing Shareholders;

(5) The disposition of any obligations, or liabilities.

Such plan and resolution shall be submitted to the Director at least 15 days prior to the members' meeting at which action of members is to be taken.

(b) If the plan of conversion provides for (1) no adjustment in the withdrawable capital accounts of members; and (2) all obligations and liabilities to be assumed by the Federal association, then the Director's approval of the plan of conversion shall not be required.

(c) If the plan of conversion adjusts values of any type of capital, or if the association has a segregated surplus, such plan of conversion shall be subject to the approval of the Director. Approval shall be given in such case if the Director finds that the plan is equitable and protects the rights of all persons affected, including such contingent interests as theretofore may have been created in the segregated surplus, if any.

(d) After receipt of such approval from the Director, if required, the plan of conversion may be submitted at an annual or special meeting of the members. The plan will be adopted upon receiving, in the affirmative, two-thirds or more of the total number of votes which all members of the association are entitled to cast. A report of proceedings at such meeting, certified by the president or a vice-president and attested by the secretary, shall be filed promptly with the Director.

(e) Within 90 days after the date of such meeting, the association shall take the action prescribed and authorized by the laws and regulations of the United States to complete its conversion to a Federal association.

(f) Upon receipt of a Federal charter, the association shall file promptly with the Director either a copy of said charter or a certificate of the appropriate Federal officers setting forth the facts concerning the issuance of such charter; and upon recording said charter in the same manner as the association's articles of incorporation, the association shall cease to be an association operating under this Act. (As amended by act approved July 24, 1959.)

Section 6-13. Conversion from Federal to State Association.) Any Federal association may become an association operating under this Act, pursuant to the laws and regulations of the United States and in accordance with the following procedure:

(a) The board of directors shall adopt a plan

of conversion, which shall set forth, among other terms, the provisions required in Sub-section (a) of the preceding section of this Act. Such plan and resolution shall be submitted to the Director.

(b) If the Director, after appropriate examination, shall find that the association complies sufficiently with the requirements of this Act to entitle it to become an association operating under this Act, he shall approve the plan of conversion. However, he may prescribe terms and conditions, to be fulfilled either prior to or after the conversion, to cause the association to conform with the requirements of this Act.

(c) After receipt of the Director's approval, the plan of conversion may be submitted at an annual or special meeting of the members; and the plan will be adopted upon receiving, in the affirmative, two-thirds (2/3) or more of the total number of votes which all members of the association are entitled to cast. Thereupon, such action shall be taken to adopt articles of incorporation, to elect directors, to adopt by-laws, and to elect officers, as is prescribed for a new association in the article of this Act concerning Incorporation and Organization. A report of proceedings at such meeting, certified by the president or a vice-president and attested by the secretary, shall be filed promptly with the Director.

(d) If the Director finds that such proceedings have been in accordance with the provisions of this section, he shall issue a certificate of conversion, setting forth the articles of incorporation and attaching, as a part of the certificate, a copy of the report of proceedings filed as aforesaid.

(e) The conversion shall become effective upon the recording of the certificate of conversion in the manner required by this Act for the recording of articles of incorporation. (As amended by act approved June 4, 1957.)

Section 6-14. Effect of Conversion.) When an association effects a conversion in accordance with either of the two preceding sections, the corporate existence of such association shall not be interrupted; but the identity of the association shall continue, together with all of the obligations and liabilities of the association; and all of its rights, franchises, and interests in and to every kind of property, real, personal or mixed, shall continue without the necessity of a deed or other transfer. Any reference to the association before conversion, contained in any writing, whether executed or effective before or after the conversion, shall be deemed a reference also to the association after conversion, if not inconsistent with the other provisions of such writing. No pending action or other judicial proceeding to which the association is a party shall be abated or discontinued by reason of such conversion, but the same may be prosecuted to final judgment, order, or decree in the same manner as if such conversion had not occurred.

ARTICLE 7—Supervision.

Section 7-1. Director's Regulations.) The Director shall have the power to establish such regulations

as may be reasonable or necessary to accomplish the purposes and provisions of this Act. (As amended by act approved June 4, 1957.)

Section 7-2. Examination.)

(a) The Director, at least once in each year, without previous notice, shall cause an examination to be made of the affairs of every association. Such examination shall be made by competent examiners appointed for that purpose, who are not officers or agents of, or in any manner interested in, any association which they examine, except that they may be holders of withdrawable capital.

(b) The officers, agents, or directors of any such association shall cause the books of the association to be opened for inspection by the Director or his examiners and otherwise assist in such examination when requested; and for the purpose of examination, the examiner in charge thereof shall have power to administer oaths and to examine under oath any officers, employees, agents, or directors of such association relative to the business of the association.

(c) The Director shall make a report of each examination to the board of directors of the association examined, and if the affairs of the association are not being conducted in accordance with this Act, he may require the directors, officers, or employees to take any necessary corrective action. In the interests of the members of the association, the Director may prepare a statement of the condition of the association, and may mail the same to the members or may require a single publication thereof. (As amended by act approved June 4, 1957.)

Section 7-3. Audit by Public Accountant.) The Director may approve in writing the appointment by the board of directors of a licensed public accountant to audit the books of the association at least once in each year, without previous notice; and the Director may prescribe the scope of such audit within generally accepted auditing principles, and may require the filing of a copy of such audit with the Director. (As amended by act approved June 4, 1957.)

Section 7-4. Reports to Director and Members.)

(a) Every association operating under this Act shall file with the Director within sixty (60) days following the close of each fiscal year of such association, a statement showing its financial condition at the close of the fiscal year and its operations for the year then ended. Each such statement shall be on forms prescribed by the Director and in conformity with generally accepted accounting principles, and shall be verified by the secretary and certified by (1) a committee of three or more members who are not officers of the association; or (2) a licensed public accountant appointed by the board of directors; or (3) two officers of the association, if a licensed public accountant has been appointed to audit the books and records of the association as provided in the preceding section of this Act.

(b) Every association shall file also such other reports as the Director may require from time to time.

(c) Within sixty (60) days after the date of

such statement, the association either shall mail to each member the annual statement of condition, or a condensed form thereof approved by the Director, or shall publish the same at least once. (As amended by act approved June 4, 1957.)

Section 7-5. Director's Report to the Governor.) The Director shall prepare and transmit to the Governor of this State a condensed annual report of the financial condition of all associations operating under this Act, and may cause a copy of such report to be printed and circulated. (As amended by act approved June 4, 1957.)

Section 7-6. Information to Federal Authorities.) The Director may give copies of reports of his examinations of an association, and copies of the association's reports to him, and any other information which he has concerning the association, to the Federal Home Loan Bank (or its successor instrumentality) of which the association is a member, or to the insurance corporation which has insured the association's capital; but no such action by the Director shall relieve the association from compliance with any requirements of such Federal institution concerning examinations or reports, or limit the Director's powers to examine or to require reports from the association. (As amended by act approved June 4, 1957.)

Section 7-7. Procedure Upon the Impairment of Permanent Reserve Capital.) If the Director finds, from a report or examination of an association, that the permanent reserve capital is impaired, he shall direct whichever of the following procedures is appropriate:

(a) The board of directors either (1) shall require the permanent reserve shareholders to contribute an amount at least sufficient to eliminate the impairment; or (2) shall reduce the par value of the permanent reserve capital in at least the amount of the impairment and allocate such reduction to undivided profits or reserves to absorb the loss which created the impairment.

(b) If such impairment causes the book value of the permanent reserve capital to be less than the amount of minimum initial permanent reserve capital which the association, if it were being newly authorized to issue such capital, would be required to issue under the provisions of the section of this Act concerning Permanent Reserve Shares—Authorization of Issuance; Minimum Amount, then the board of directors shall require the permanent reserve shareholders to contribute the amount necessary to make up the difference. If any permanent reserve shareholder, within 30 days after notice to contribute has been mailed to him, shall neglect or refuse to pay his proportionate contribution, the board of directors shall cause a sufficient amount of such holder's permanent reserve shares to be sold at public auction. Not less than 20 days before the date of such sale, notice thereof shall be posted in the business office of the association, and shall be published. Any proceeds of such sale in excess of such proportionate contribution shall be returned to the shareholder. (As amended by act approved July 24, 1959.)

Section 7-8. Director's Authority to Take Custody.) The Director in his discretion may take custody of the books, records and assets of every kind and character of any association, trust, or association in liquidation, for any of the purposes hereinafter enumerated, if it appears from reports made to the Director, or from examination made by or on behalf of the Director:

(a) That the directors, officers, trustees, or liquidators have neglected, failed or refused to take any action which the Director may deem necessary for the protection of the association or trust, or have impeded or obstructed an examination; or

(b) That the withdrawable capital of the association is impaired to the extent that the realizable value of its assets is insufficient to pay in full its creditors and holders of its withdrawable capital; or that its permanent reserve capital is impaired; or

(c) That the association is unable to continue operations; or

(d) That the business of the association, trust, or association in liquidation is being conducted in a fraudulent, illegal, or unsafe manner; or

(e) That the officers, employees, trustees, or liquidators have continued to assume duties or perform acts without giving bond as required by the provisions of this Act.

Unless the Director finds that an emergency exists which may result in loss to members or creditors and requires that he take custody immediately, he first shall give written notice to the directors, trustees, or liquidators specifying the conditions criticised and state a reasonable time within which correction may be made. (As amended by act approved July 24, 1959.)

Section 7-9. Purposes of Taking Custody.) The purposes of taking such custody of an association or trust may be examination; further examination; conserving of its assets; restoration of impaired capital; the making of any necessary or equitable adjustment deemed necessary by the Director under any plan of reorganization; or liquidation; or the maturing of the obligation of the insurance corporation. (As amended by act approved June 4, 1957.)

Section 7-10. Director's Powers During Custody.) During the period in which the Director has such custody, the Director has all powers which are necessary or appropriate to accomplish the purposes of taking custody, including (but not limited to) the authority:

(a) To operate the business of the association, except as limited by the other subsections of this section; exercising for that purpose all of the rights, powers, and privileges possessed by the officers and directors, liquidators, or trustees;

(b) To permit withdrawals to be made in accordance with the provisions of this Act in such proportionate amounts among holders of withdrawable capital as the Director considers advisable to safe-

guard the interests of all of the holders of withdrawable capital;

(c) To accept payments on withdrawable capital as provided in the section of this Act concerning Segregation of Collections During Custody;

(d) Without appointment of a receiver but upon order of a court of competent jurisdiction, or with the concurrence of at least two-thirds of the directors, to:

(1) Make investments, as provided in Article 5 of this Act;

(2) Make and execute agreements with the insurance corporation or with any other financial institution for the payment or assumption of the association's liabilities in whole or in part;

(3) Borrow money, as provided in the section of this Act concerning Power to Borrow;

(4) Sell, convey, transfer, pledge, or assign assets as security or otherwise;

(5) Sell or compromise bad or doubtful debts of the association;

(6) Make or give guaranties appropriate to any of the transactions specified in this subsection (d);

(e) To call meetings of the members, directors, liquidators, or trustees to consider and act upon matters within their respective authority as provided in this Act; but without prejudice to the Director's powers conferred by this section. (As amended by act approved July 24, 1959.)

Section 7-11. Custody of Insured Associations.) If an association of which the Director takes custody under authority of this article is an insured association, the Director, in addition to powers conferred above, is authorized to:

(a) Forthwith notify the insurance corporation of such custody, his reasons therefor, and as soon as practicable, furnish the insurance corporation with a copy of the Director's report of examination and condition of the association.

(b) Permit the insurance corporation to submit any plan or proposal for the reorganization, merger, or liquidation of the association which it may deem feasible.

(c) Determine and declare the association to be in default, and to find from his examination and report the amount of the members' insured withdrawable capital, and to make any necessary orders, findings and determinations which may be required for the purpose of making the insurance available to the members. (As amended by act approved June 4, 1957.)

Section 7-12. Notice of Custody; Action to Enjoin.) Immediately upon taking custody of an association or trust, the Director shall mail a written notice thereof to the president or secretary and not less than 2 directors of such association, or to 2 or more of the trustees of any trust, or 2 or more of the liquidators of an association in liquidation. If the contention is made that the Director has no legal grounds for taking custody of the association or trust, the directors or officers of the association

or the trustees or liquidators thereof, as the case may be, at any time within 30 days after the mailing of such notice, or within such further periods of time as the Director may extend, but not to exceed an additional 60 days, may file a complaint in the Circuit Court of Sangamon County, Illinois or in the circuit or superior court of the county in which the association is located, to enjoin further custody. The court thereupon shall cite the Director to show cause why further custody should not be enjoined. If upon a hearing thereon, the court finds that such grounds did not or do not then exist, it may enter an appropriate order in accordance with the findings of fact, or an order enjoining the Director or any appointees acting under his direction from further custody. (As amended by act approved July 24, 1959.)

Section 7-13. Segregation of Collections During Custody.) All payments received on withdrawable capital on members' unpledged shares or accounts during custody of the association by the Director shall be segregated in a separate account until the association shall be redelivered to the directors or to trustees or liquidators or delivered to a receiver. Any member whose payments have been so segregated may request the return of such payments, and the Director shall repay the same without interest or dividends. Before delivery of the association or its assets to any liquidators or to a receiver, the Director shall return the money so collected from members and so segregated. (As amended by act approved June 4, 1957.)

Section 7-14. Redelivery of Possession.) If after examination of the association and consideration of all conditions affecting its affairs, the Director finds that the cause or causes for taking custody have been removed, he shall relinquish custody of the association and redeliver the same and all assets, books and records thereof to the directors of the association or to the trustees or liquidators qualified to accept the same. (As amended by act approved June 4, 1957.)

Section 7-15. Limitations Upon Custody.) The custody of an association by the Director may be continued for a reasonable period not to exceed six (6) months, unless further extension shall be agreed upon by a vote of two-thirds (2/3) of the directors of the association or upon application for such extension and by order entered in a court of competent jurisdiction. (As amended by act approved June 4, 1957.)

Section 7-16. Expenses and Fees.)

(a) The reasonable expense of any examination or investigation or custody by the Director under any provision of this Act, shall be borne by the association or trust.

(b) Except as to fees which are fixed by this Act, the Director by regulation may prescribe reasonable fees for filing reports and other documents, furnishing transcripts, holding hearings, applications for permits to organize and investigations thereof, and for the taking of any other action for which he incurs expense. (As amended by act approved July 9, 1959.)

Section 7-17. Advisory Board — Appointment.)

The Board of Savings and Loan Association Advisers shall be composed of five (5) persons who shall be appointed by the Governor. Each of such persons shall have been engaged actively in savings and loan management in this State for at least five (5) years immediately prior to his appointment, and three of them shall be appointed from a list of not less than eight (8) nominees submitted to the Governor for this purpose by the Illinois Savings and Loan League. Each of such persons shall serve without compensation, but shall be reimbursed for necessary expenses. Initially two of such persons shall be appointed to serve until the third Monday in January 1959 and three of such persons shall be appointed to serve until the third Monday in January 1961. As terms of appointment expire, successors shall be appointed for terms to expire the third Monday in January four years thereafter. All members of the Advisory Board shall serve until their respective successors are appointed and qualified. (As amended by act approved June 4, 1957.)

Section 7-18. Advisory Board—Organization and Meetings.) The Advisory Board shall elect a chairman, vice-chairman, and secretary; shall adopt regulations for the holding and conducting of meetings and for holding hearings concerning all matters within its powers; and shall keep a record of all meetings and transactions. Regular meetings shall be held as provided in the regulations, and special meetings may be called by the Director or upon the request of any three (3) members of the Board. (As amended by act approved June 4, 1957.)

Section 7-19. Advisory Board — Powers.) The Board shall have the following powers:

(a) To make recommendations to the Director or the authority responsible for chartering Federal associations, for the purpose of preventing unsound practices in the establishment of new associations proposed to be located in this State; or in any change of location which has the same effect upon other associations as the establishment of a new association.

(b) To make recommendations concerning insurance of withdrawable capital for the purpose of avoiding undue injury to associations in the same community by affording to all such associations an equal opportunity to apply for such insurance at the same time.

(c) To make recommendations on pertinent matters to the insurance corporation regarding the insurance of withdrawable accounts of associations operating under this Act.

(d) To make recommendations to the Director on matters within the scope of his authority concerning conversions or mergers under the sections of this act relating thereto.

(e) To make recommendations to the Director concerning such matters within the scope of his authority as he may refer to the Board for consideration.

(f) To advise the Governor and the Director upon appointments and employment of personnel in

connection with the supervision of savings and loan associations. (As amended by act approved June 4, 1957.)

Section 7-20. Proceedings on Objections to Director's Action.) Except as otherwise specifically provided by this Act, any person who deems himself aggrieved by any decision, order, or action of the Director may receive a hearing as provided in Sections 7-21 through 7-24 of this Act. (As amended by act approved July 24, 1959.)

Section 7-21. The Director may upon his own motion and shall upon the verified complaint in writing of any person setting forth facts which if proved would constitute grounds for reversal or change of any decision, order or action grant a hearing thereon. If the aggrieved party desires such a hearing, he shall, within 10 days of receipt of notice of such decision, order or action, file written notice with the Director of intent to demand a hearing and shall, within 30 days of receipt of notice of such decision, order or action, file his verified complaint in writing. The Director shall, at least 10 days prior to the date set for the hearing, notify in writing the person adversely affected by such decision, order or action, hereinafter called the respondent and all other parties to the action, that a hearing will be held on the date designated and shall afford the respondent and all other parties to the action an opportunity to be heard in person or by counsel in reference thereto. Such written notice may be served by delivery of the same personally to the respondent and all other parties to the action, or by mailing the same by registered or certified mail to the place of business last theretofore specified by the respondent and all other parties to the action in the last notification to the Director. At the time and place fixed in the notice, the Director or his authorized agent, hereafter referred to as the hearing officer, shall proceed to hear the charges and both the respondent and all other parties to the action and the complainant shall be accorded ample opportunity to present in person or by counsel such statements, testimony, evidence and argument as may be pertinent to the issues. The hearing officer may continue such hearing from time to time.

The hearing officer is authorized to subpoena any person in this State and to take testimony either orally or by deposition or by exhibit, with the same fees and mileage and in the same manner as prescribed by law in judicial procedure in civil cases in circuit courts of this State.

The hearing officer may administer oaths to witnesses at any hearing which the hearing officer is authorized by law to conduct.

Section 7-22. The Director, at his expense, unless otherwise provided in this Act, shall provide a stenographer to take down the testimony and preserve a record of all proceedings at the hearing. The notice of hearing, complaint and all other documents in the nature of pleadings and written motions filed in the proceedings, the transcript of testimony, the report of the hearing officer and orders of the Director shall be the record of such proceedings. The Director shall furnish a transcript of such record to

any person interested in such hearing upon payment of the actual cost thereof.

A copy of the hearing officer's report and the Director's orders shall be served upon the respondent and all other parties to the action by the Director, either personally or by registered or certified mail as provided in this Act for the service of the notice of hearing. (As amended by act approved August 14, 1961.)

Section 7-23. All subpoenas issued under the laws of this State pertaining to Savings and Loan Associations may be served by any person who is not a minor. The fees of witnesses for attendance and travel shall be the same as fees of witnesses before the Circuit Courts of this State, such fees to be paid at the time the witness is excused from further attendance, when the witness is subpoenaed at the instance of the Director or any officer or any employee designated by him for the purpose of conducting any such investigation, inquiry or hearing; and the disbursements made in the payment of such fees shall be audited and paid in the same manner as are other expenses of the Department of Financial Institutions. Whenever a subpoena is issued at the instance of a complainant, respondent or other party to any proceeding the Director may require that the cost of service thereof and the fee of the same shall be borne by the party at whose instance the witness is summoned, and the Director shall have power, in his discretion, to require a deposit to cover the cost of such service and witness fees and the payment of legal witness fees and mileage to the witness when served with subpoena. A subpoena issued as aforesaid shall be served in the same manner as a subpoena issued out of a court of record.

Any person who shall be served with a subpoena to appear and testify, or to produce books, papers, accounts or documents, either in person or by deposition, in the manner provided in this section, issued by the Director or by any officer, or any employee designated by him to conduct any such investigation, inquiry, or hearing, in the course of an investigation, inquiry or hearing conducted under any of the provisions of the laws of this State pertaining to Savings and Loan Associations, and who shall refuse or neglect to appear, or to testify, or to produce books, papers, accounts and documents relative to said investigation, inquiry or hearing as commanded in such subpoena, shall be guilty of a misdemeanor, and upon conviction thereof, shall be punishable by a fine of not more than \$200.00.

Any Circuit Court of this State, or any judge thereof, either in term time or in vacation, upon application of the Director, or an officer, or an employee designated by him for the purpose of conducting any such investigation, inquiry or hearing, may, in his discretion, compel the attendance of witnesses, the production of books, papers, accounts and documents, and the giving of testimony before the Department of Financial Institutions, or before any officer thereof, or any employee designated by it for the purpose of conducting any such investiga-

tion, inquiry or hearing, in person or by deposition, in the manner provided in this section, by an attachment for contempt or otherwise, in the same manner as production of evidence may be compelled before said court.

The Director or any officer, or any employee designated by him for the purpose of conducting any investigation, inquiry or hearing, or any party may, in any investigation, inquiry or hearing, cause the deposition of witnesses residing within or without the State to be taken in the manner prescribed by law for taking like depositions in chancery cases in courts of this State, and to that end may compel the attendance of witnesses and the production of papers, books, accounts and documents. (As amended by act approved August 22, 1961.)

Section 7-24. Any person affected by a final administrative decision of the Director pursuant to the provisions of this Act may have such decisions reviewed only under and in accordance with the "Administrative Review Act," approved May 8, 1945 if such person files within 10 days of receipt of service of a copy of the final decision sought to be reviewed a written notice with the Director of intent to seek review under said Administrative Review Act. The provisions of the "Administrative Review Act," and all amendments and modifications thereof, and the rules adopted pursuant thereto, shall apply to and govern all proceedings for the judicial review of final administrative decisions of the Director hereunder. The term "administrative decision" is defined as in Section 1 of said "Administrative Review Act".

Appeals from all final orders and judgments entered by court in review of any final administrative decision of the Director hereunder may be taken directly to the Supreme Court in accordance with the provisions of the "Civil Practice Act" relating to appeals, and all existing and future amendments and modifications thereof and the rules adopted thereto. (As amended by act approved August 14, 1961.)

ARTICLE 8—Reorganization.

Section 8-1. Authority to Reorganize.) An association may reorganize under the provisions of this article, by adjusting its capital without prejudicing or impairing the rights of any of its creditors; but an adjustment of capital which involves or is part of a proceeding to effect a merger, conversion, sale of all assets, or retirement or reduction of permanent reserve capital, shall be accomplished under the provisions of this Act relating to such other proceeding. (As amended by act approved July 11, 1957.)

Section 8-2. Decision as to Reorganization; Adoption of Plan.)

(a) At any annual or special meeting of the members, the members may vote to reorganize the association, and may adopt a plan of reorganization which has been approved by the board of directors, or proposed by one or more shareholders, or submitted by the Director; or may elect a committee of three (3) persons to prepare and submit a plan, and thereafter may adopt such plan. However, no plan except one submitted by the Director shall be adopted

unless it has been filed with the Director at least five (5) days before the vote of the members is taken thereon.

(b) A plan will be adopted upon receiving in the affirmative two-thirds (2/3) or more of the total number of votes which all members of the association are entitled to cast. (As amended by act approved June 4, 1957.)

Section 8-3. Plan of Reorganization.) The plan of reorganization shall set forth:

(a) A statement of the financial condition of the association duly certified by a licensed public accountant, or verified in such manner as may be required by the Director.

(b) The proposed adjustment of capital.

(c) Any proposed segregation of assets into a segregated trust, and provision for disposition of such trust.

(d) Any amendment to the articles of incorporation, which shall be submitted to the Director for approval and shall be effective as provided in the article of this Act concerning Corporate Changes.

(e) Provision for safeguarding the rights of creditors. (As amended by act approved June 4, 1957.)

Section 8-4. Election of New Directors; Report and Supervision.)

(a) Upon the adoption of the plan of reorganization, the offices of all directors and officers of the association shall be vacant, and the members shall proceed to elect directors to fill the vacancies. If the plan provides for the segregation of assets under a trust agreement, the members also shall elect (with cumulative voting permitted as in elections of directors) three or more trustees to manage such assets.

(b) A report of proceedings at the meetings of the members, certified by the president or a vice president and attested by the secretary, setting forth the notice given and time of mailing thereof, the vote on the plan of reorganization, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed in duplicate with the Director, together with the plan of reorganization. The Director thereupon shall issue to the association, and to the trustees if assets have been segregated as a part of the plan, a certificate of reorganization, and a certificate of amendment of the articles of incorporation if appropriate.

(c) The reorganization shall become effective upon the recording of the certificate of reorganization and the certificate of amendment of articles of incorporation, if any, in the manner required by this Act for the recording of articles of incorporation. (As amended by act approved June 4, 1957.)

Section 8-5. Trust Agreement and Procedure.)

(a) The segregated assets shall be disposed of in accordance with the terms of a trust agreement adopted by the board of directors and executed in triplicate by the appropriate officers of the association and the trustees.

(b) The trust agreement shall contain provisions for the full liquidation of the trust, (including but not limited to) powers, duties, and manner of

succession of trustees, and other provisions similar to those set forth with respect to liquidators in the section of this Act concerning Plan of Voluntary Liquidation. In addition thereto, the reorganized association shall furnish to the trustees a list of all shareholders whose shares are affected by such segregation of assets, giving their last known addresses and the book value of shares held and the reduction of such values upon reorganization and segregation of assets, so that the trustees may ascertain the relative interest of each shareholder in the trust so created. Such list shall be prima facie evidence of the share interests of all shareholders and no shareholder shall be entitled to a greater proportionate interest in the trust unless and until the trustees shall have agreed to a correction of the list or shall be ordered to do so by a court of competent jurisdiction.

(c) Three copies of the trust agreement shall be submitted to the Director together with a certified copy of the resolution of the board of directors adopting the agreement, and the bonds of the trustees in such amounts as shall be fixed by the board of directors and as provided by the section of this Act concerning Bonds of Officers and Employees.

(d) If the Director finds that the bonds are sufficient and the trust agreement will protect the beneficiaries of the trust, he shall attach his certificate of approval and forward one approved copy of the trust agreement to the trustees and another to the reorganized association.

(e) The trust shall become effective upon recording of the Director's certificate of approval and the trust agreement in the manner required by this Act for the recording of articles of incorporation; and the association thereupon shall be authorized to transfer the segregated assets to the trustees. (As amended by act approved June 4, 1957.)

Section 8-6. Disposition of Assets by Trustees; Liquidation.) The trust shall be subject at all times to the applicable provisions of the article pertaining to Voluntary Liquidation, and also shall be subject to supervision and examination by the Director. (As amended by act approved June 4, 1957.)

Section 8-7. Acceptance of Certificates of Beneficial Interest and Withdrawable Capital for Part Purchase Price of Assets.)

(a) The trustees may offer to accept the certificates of beneficial interest issued by them, or withdrawable capital of the association, to apply upon the purchase price of any assets, but only for such relative values as may be approved by the Director from time to time. If such offer is made, notice thereof by single publication or by mailing, stating the offer and the time, place, and terms of the sale, shall be given to all owners of such certificates prior to the sale.

(b) If a purchaser of segregated assets applies to the reorganized association for a loan on such assets, the association, in lieu of cash advancement on such loan, may issue and the trustees may accept at full value withdrawable capital of the reorganized association up to but not exceeding seventy-five per cent (75%) of the purchase price of

such assets. Such sale shall not be consummated until the balance of the purchase price shall have been paid in cash to the trustee. (As amended by act approved June 4, 1957.)

ARTICLE 9—Voluntary Liquidation.

Section 9-1. Authority to Liquidate.) An association may liquidate voluntarily in accordance with a plan of voluntary liquidation which has been adopted in the manner provided in this article.

Section 9-2. Decision as to Liquidation; Adoption of Plan.)

(a) At any annual or special meeting of the members, the members may vote to liquidate the association, and may adopt a plan of liquidation which has been approved by the board of directors, or proposed by one or more shareholders, or submitted by the Director; or may elect a committee of three (3) persons to prepare and submit a plan, and thereafter may adopt such plan. However, no plan except one submitted by the Director shall be adopted unless it has been filed with the Director at least five (5) days before the vote of the members is taken thereon.

(b) A plan will be adopted upon receiving in the affirmative two-thirds (2/3) or more of the total number of votes which all members of the association are entitled to cast. (As amended by act approved June 4, 1957.)

Section 9-3. Plan of Voluntary Liquidation.) The plan of voluntary liquidation shall provide for the full liquidation of the association, setting forth the powers, duties, manner of filling vacancies, and succession of the liquidators and authorizing them to:

(a) Advance funds of the association to preserve, protect, or purchase at any sale any asset in which the association has an interest.

(b) Sell, convey, lease, mortgage, or exchange any assets for other assets.

(c) Sell and dispose of any assets at public sale to the highest and best bidder or at private sale for the highest price obtainable.

(d) Accept withdrawable capital of the association to apply upon the purchase price of any assets, but only for such relative values as may be approved by the Director from time to time. Notice by single publication or by mailing, stating the time, place, and terms of the sale, shall be given to all holders of withdrawable capital prior to the sale.

(e) Pay out of the proceeds of liquidation all expenses and services necessary to the liquidation, and also compensation of the liquidators; but such compensation of the liquidators, exclusive of compensation for legal services and other specialized employment, shall not exceed in the aggregate three (3) per cent of the proceeds of liquidation. (As amended by act approved June 4, 1957.)

Section 9-4. Election of Liquidators, Report, and Supervision.) Upon adoption of a plan of voluntary liquidation, the members shall proceed to elect (with cumulative voting permitted as in elections of directors) not more than three (3) liquidators, who shall have full power to execute the plan; and the procedure thereafter shall be as follows:

(a) A report of proceedings at the meeting of members, certified by the presiding officer of the meeting and attested by the secretary of the meeting, and setting forth the notice given and time of mailing thereof, the vote on the plan of voluntary liquidation, the total number of votes which all members of the association were entitled to cast thereon, and the names of the liquidators elected, shall be filed in triplicate with the Director, together with the plan.

(b) If the Director finds that the plan and proceedings are in accordance with this Act, that the bonds of the liquidators are sufficient, and that the plan is not unfair to any person affected, he shall attach his certificate of approval to the plan and shall forward one copy to the liquidators, and in the case of an insured association, one copy to the insurance corporation.

(c) The plan shall become effective upon the recording of the Director's certificate of approval in the manner required by this Act for the recording of articles of incorporation.

(d) The liquidation of the association shall be subject to the supervision and examination of the Director. (As amended by act approved June 4, 1957.)

Section 9-5. Protection and Liquidation of Assets.) The liquidators are authorized to advance funds of the association and to take such other action as is advisable to preserve, protect, or purchase at any sale any real estate or other asset upon which the association may hold any lien or encumbrance or in which it may have an interest. The liquidators may sell, convey, lease, mortgage or exchange any assets so purchased or other assets; and in furtherance of the liquidation of the association, may sell and dispose of any of its assets at public sale to the highest and best bidder; or may sell any such assets at private sale for the highest price obtainable. No purchaser shall be required to ascertain the application of the purchase price.

Section 9-6. Notice to File Claims.) The liquidators shall fix a time for all persons having claims against the association, other than as members thereof, to present such claims, and shall cause notice to be published, requiring all persons to present the claims on or before such date, and within five (5) days after the first publication shall mail a copy of such notice to each person whose name appears on the association's records as having a claim. Each claim shall be in writing and verified by the claimant or a duly authorized agent. A claim may be presented at any time on or before the date fixed in the published notice, but any claim not so presented shall be barred. Upon the disallowance of any claim, the liquidators immediately shall notify the claimant of such fact, and the claimant may institute suit to establish such claim at any time before the final distribution.

Section 9-7. Claims of Members.) Whether a member files or does not file a claim with respect to an interest which he has as such member, the liquidators shall determine from the records of the as-

sociation the amount of such member's claim. Any such member may examine the association's records pertaining to his own claim. The records of the association shall be prima facie evidence of each such claim or interest, and no member shall be entitled to a greater claim or proportionate interest in the association unless and until the liquidators shall have agreed to a correction of the records pertaining to such claim or interest, or shall be ordered to correct such records by a court of competent jurisdiction. The liquidators shall require all members to present their certificates or account books, if any, for verification and endorsement upon payment of any liquidating dividend or distribution; and upon final distribution, such certificates or account books, if any, shall be surrendered to the liquidators.

Section 9-8. Payments and Distribution.) Claims having a preference in law shall be given preference in payment; except that no payment of less than ten dollars (\$10.00) need be made until final distribution. No distribution shall be made on claims for withdrawable capital until such preferred claims have been paid or provided for in full, or during the pendency of any suit unless sufficient funds are segregated to pay any judgment which may be rendered in such suit. Ratable payments and distributions on withdrawable capital may be made at any time after the time fixed for the presentment and allowance of claims has elapsed. Holders of permanent reserve capital, if any, shall participate in the liquidation of the remaining assets after payment or provision for payment has been made in full to all creditors, holders of withdrawable capital, and any claims which the holders may have in the balance of any segregated reserves. Final distribution shall be made in accordance with the next succeeding section of this article. (As amended by act approved July 11, 1957.)

Section 9-9. Final Distribution and Dissolution by Director.) When all assets have been liquidated and all claims and expenses have been paid, dissolution of the association shall be accomplished in the following manner:

(a) The liquidators shall file with the Director the duly verified final report of their acts and proposed final distribution.

(b) Upon the Director's approval of the final report, the liquidators shall publish notice of the proposed distribution, and shall allow any shareholder to examine the records of the association to ascertain his proper share of such distribution. Any shareholder who fails to commence, before the date fixed for final distribution, appropriate judicial proceedings to contest such distribution, shall be barred from contesting the same thereafter. The liquidators shall proceed to make final distribution on the date fixed therefor, except that such distribution shall be deferred until final disposition of any pending judicial action affecting the distribution, and payment of any judgment entered therein.

(c) When final distribution has been made, except as to any money due to but unclaimed by any

creditor, shareholder, or other person, the liquidators shall deposit such unclaimed money with the Director, for payment to the person or persons entitled thereto upon application and proof of right as provided by law.

(d) The liquidators also shall deliver to the Director all books of account and other records of the association, for preservation for at least two (2) years and destruction thereafter as provided by law.

(e) Upon completion of the foregoing procedure, the liquidators shall be discharged; the Director shall issue a certificate of dissolution of the association and shall record same in the manner required by this Act for the recording of articles of incorporation; and upon such recording, the dissolution shall be effective. (As amended by act approved June 4, 1957.)

ARTICLE 10—Involuntary Liquidation.

Section 10-1. Director to Appoint Receiver.) If the Director, after taking custody of an association under the section of this Act concerning Director's Authority to Take Custody, finds that any one or more of the reasons for taking custody continues to exist through the period of his custody, then he shall appoint any qualified person, firm or corporation as receiver or co-receiver of such association or trust for the purpose of liquidation. In the case of an insured association, he may appoint the insurance corporation or its nominee as such receiver or as a co-receiver; and the insurance corporation may be permitted to serve without bond. The receiver shall take possession of and title to the books, records, and assets of every description of the association or trust. (As amended by act approved June 4, 1957.)

Section 10-2. Filing of Complaint by Attorney General.) After so appointing a receiver, the Director shall direct the Attorney General to file a complaint in equity in the name of the Director in the circuit or superior court of the county in which such association or trust is located and against the association or trustees or liquidators, as the case may be, for the orderly liquidation and dissolution of the association or trust and for an injunction restraining the officers, directors, trustees, or liquidators, from continuing the operation of the association or trust. No complaint shall be filed nor shall other proceedings be commenced in any court for the dissolution or winding up of the affairs of the association or trust except in the name of and by authority of the Director represented by the Attorney General. (As amended by act approved June 4, 1957.)

Section 10-3. Receiver's Powers; Court Supervision.) Upon order of the court in which the Director's complaint for dissolution and winding up of the affairs of the association has been filed, the receiver shall have the power and shall be charged with the duties and responsibilities as follows:

(a) To sell and compound all bad or doubtful debts on such terms as the court shall direct;

(b) To sell the real and personal property of the association on such terms as the court shall direct;

(c) To petition the court for authority to borrow money to protect assets or to facilitate liquidation.

tion and distribution, and to pledge assets as security therefor, which petition shall be heard by the court upon such notice to all parties in interest as the court shall direct, and such loans may be obtained and assets pledged as security therefor upon such terms and conditions as may be deemed expedient and necessary;

(d) To make and carry out agreements with the insurance corporation or with any other financial institution for the payment or assumption of the association's liabilities, in whole or in part, and to sell, convey, transfer, pledge or assign assets as security or otherwise, and to make guaranties in connection therewith. (As amended by act approved June 4, 1957.)

Section 10-4. Expenses of Custody and Receivership.) All expenses incurred by reason of the examination, custody, and receivership, including compensation to such receiver, accountants, or clerical assistants, and reasonable solicitors' and attorneys' fees, approved by the Director or the court, shall be paid out of the assets of such association or trust. (As amended by act approved June 4, 1957.)

Section 10-5. Notice to Creditors.) The receiver shall cause notice to be published calling on all persons who may have claims against such association or trust to present the same to such receiver and to make legal proof thereof, and the said claims shall be presented to the court, and the allowance or disallowance of such claims by the court in connection with said proceedings shall be deemed an adjudication in a court of competent jurisdiction. After the expiration of the time specified in such publication, the receiver shall file with the Director and with the clerk of the court a correct list of all creditors and all members of the association or beneficiaries of the trust, as shown by the books and records, who have not presented their claims, and the amount of their respective claims, after allowing all just credits, deductions and setoffs as shown by the books and records. Such claims so filed shall be deemed proven, unless objections are filed thereto by any parties interested therein within such time as shall be fixed by the court and such notice of application for adjudication of such claims shall be given as the court may direct. (As amended by act approved June 4, 1957.)

Section 10-6. Distribution by Receiver.) Claims having a preference in law shall be given preference in payment; except that no payment of less than ten dollars (\$10.00) need be made until final distribution. No distribution shall be made on claims for capital until such preferred creditors have been paid or provided for in full, or during the pendency of any suit unless sufficient funds are segregated to pay any judgment which may be rendered in such suit. At any time after the expiration of the published claim date and from time to time, the receiver may make ratable distribution on all such claims as may have been proven to the satisfaction of the receiver, or adjudicated in a court of competent jurisdiction. Final distribution shall be made in accordance with the next succeeding section of this article.

Section 10-7. Final Distribution and Dissolution by Court.) When all assets have been liquidated and

all claims and expenses have been paid except for the final distribution, dissolution of the association shall be accomplished in the following manner:

(a) The receiver shall file with the court the final report of his acts and proposed final distribution.

(b) Upon the court's approval of the final report, the receiver shall give such notice, and thereafter shall make final distribution, in such manner as the court may direct.

(c) When final distribution has been made except as to any unclaimed money, the receiver shall deposit such unclaimed money with the Director and shall deliver to the Director all books of account and other records, in the manner and for the purpose prescribed in the section of this Act concerning Final Distribution and Dissolution by Director.

(d) Upon completion of the foregoing procedure, and upon the petition of the Director (represented by the Attorney General) and the receiver, the court may find that the association or trust should be dissolved; and after such publication of notice of dissolution as the court may direct, the court may enter a decree of dissolution. (As amended by act approved June 4, 1957.)

ARTICLE 11—Miscellaneous Provisions.

Section 11-1. Reservation of Powers to General Assembly.) The General Assembly shall have power to amend, repeal, or modify this Act, and such amendments or modifications shall be binding upon any and all associations operating under this Act.

Section 11-2. Applicability of Other Acts.) Whenever in any act the terms "savings and loan," "building and loan," "mutual building loan and homestead," "building loan and homestead," or other similar name, are used with reference to associations organized for the purposes of associations incorporated under this Act, such reference shall be applicable to associations operating under this Act; and whenever in any act the terms "members," "shareholders," or "investors" are used in connection with such associations, however named, the same shall refer to members and holders of capital of associations operating under this Act.

Section 11-3. Separability.) If any provision, clause, or phrase of this Act or the application thereof to any person or circumstance, is held invalid, such invalidity shall not affect other provisions or applications of this Act which can be given effect without the invalid provisions or application, and to this end the provisions of this Act are declared to be separable.

Section 11-4. Repealer.) "An Act in relation to mutual building, loan and homestead associations," filed June 19, 1919, and all acts amendatory thereof, are hereby repealed.

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ILLINOIS SAVINGS AND LOAN ACT

1963 Edition

JOSEPH E. KNIGHT, Director

Department of Financial Institutions

State of Illinois
OTTO KERNER, Governor



ILLINOIS SAVINGS AND LOAN ACT

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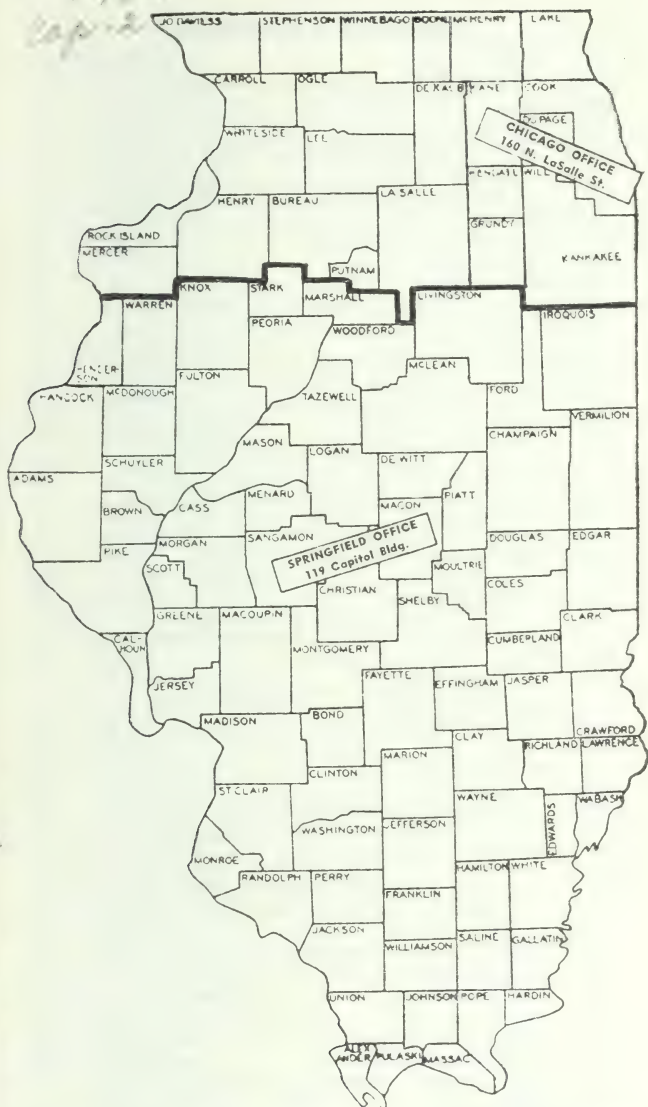
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▲ To provide greater assistance in the administration and supervision of the Savings and Loan Associations, the Director maintains both a Chicago office and Springfield office. Each office serves that part of the State indicated by the division of the State on the map above.

▲ Associations in the Chicago area should direct inquiries to the Director of Financial Institutions, Savings and Loan Division, 160 North LaSalle Street, Chicago 1, Illinois. Telephone: Financial 6-2000, Ext. 2417.

▲ Associations in the Springfield area should direct inquiries to the Director of Financial Institutions, Savings and Loan Division, State Capitol Building, Room 119, Springfield, Illinois. Telephone: 527-6611, Ext. 6941.

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ILLINOIS SAVINGS AND LOAN ACT

AN ACT to revise and codify the laws in relation to Savings and Loan Associations and to provide penalties for the violation thereof, and to repeal an Act therein named. Approved July 5, 1955.

ARTICLE 1—General Provisions

Section 1-1. Short Title.) This Act shall be known and may be cited as the "Illinois Savings and Loan Act".

Section 1-2. Policy of Act.) The General Assembly has found and declares:

(a) That the savings and loan business, otherwise known as the building, loan, and homestead business, which is within the scope of this Act, has so expanded in recent years, and has become so integrated with the financial institutions of this State and is so important as a method of promoting home ownership and thrift, that such business, to an even greater extent than heretofore, is affected with a public interest and should continue to be supervised as a business affecting the economic security and general welfare of the people of this State;

(b) That such business should be operated only by associations organized and conducted in accordance with the authority provided in this Act;

(c) That the number and minimum size of the associations conducting such business should be controlled in the interest of securely and efficiently serving the needs of the localities in which they operate;

(d) That the public interest requires the promotion and fostering of the savings and loan, or building, loan, and homestead business and the assurance of its financial stability;

(e) That in order to further the policies herein expressed, the provisions of this Act shall be liberally construed to promote and foster the purposes of savings and loan associations.

Section 1-3. Scope of Act; Application to Federal Associations.)

(a) This Act applies to all existing mutual building loan and homestead associations, savings and loan associations, savings associations, building and loan associations, and other similar associations by whatever name called, organized under this or any prior act; and to all foreign associations duly authorized to do business in this State.

(b) Unless Federal laws or regulations provide otherwise, Federal Associations and their members shall possess all of the rights, powers, privileges, immunities, and exemptions granted by this Act to associations operating hereunder and to the members thereof, or by any other Act or Section thereof, to such associations or members, whether or not specifically mentioned in the Section or Sections granting such rights, powers, privileges, immunities and exemptions. (As amended by act approved August 14, 1961.)

Section 1-4. Effect on Existing Associations.)
With respect to any existing association:

(a) The by-laws, shares, and contracts of such association shall continue in full force and effect; but the association shall be operated in accordance with the provisions of this Act.

(b) If the association accepts the benefits of, or avails itself of the powers given by, this Act, the association shall be subject to the provisions and requirements of this Act in every particular, as if the association had been organized under this Act.

(c) That portion of the statement of incorporation, charter, or certificate of complete organization of an existing association, which corresponds to the contents of articles of incorporation, as defined in Section 2-8 of this Act, shall be deemed to be the articles of incorporation of such association; and that portion of its statement of incorporation, charter, and certificate of complete organization corresponding to the contents of by-laws, as defined in Section 2-9 of this Act, shall be deemed to be the by-laws of such existing association.

Section 1-5. Prohibitions.)

(a) No person or group of persons, except an association duly incorporated under this Act or a prior act, or a Federal association, or a foreign association duly authorized to do business in this State, shall transact business within the scope of this Act or do any business under any name or title, or circulate or use any advertising or make any representation or give any information to any person, which indicates or reasonably implies the operation of a business which is within the scope of this Act.

(b) A court of competent jurisdiction may issue an injunction to restrain any person from violating or continuing to violate any of the foregoing provisions of this section.

(c) Any person who violates any provision of this section shall be punished by a fine of not more than one thousand dollars (\$1,000.00).

Section 1-6. General Corporate Powers.) An association operating under this Act shall be a body corporate and politic and shall have all of the specific powers conferred by this Act and in addition thereto, the following general powers:

(a) To sue and be sued, complain and defend in its corporate name; and to have a common seal, which it may alter or renew at pleasure;

(b) To obtain and maintain insurance of the association's withdrawable capital by an insurance corporation as defined in this Act;

(c) To become a member of a Federal Home Loan Bank, and to have all powers of such a member which are not inconsistent with the provisions of this Act; and to have all powers granted to Federal savings and loan associations except as limited or prohibited by this Act, subject to regulations of the Director wherever applicable;

(d) To act as a fiscal agent for the United States when duly designated for that purpose, and as such agent to perform such reasonable functions as may be required of it;

(e) To become a member of or deal with any corporation or agency of the United States or the State of Illinois, to the extent that such agency assists in furthering or facilitating the association's purposes or powers, and to that end to purchase stock or securities thereof or deposit money therewith, and to comply with any other conditions of membership or credit;

(f) To make donations in reasonable amounts for the public welfare or for charitable, scientific, religious, or educational purposes;

(g) To adopt and operate reasonable insurance, bonus, and retirement plans for officers and employees;

(h) To reject any application for membership; to retire withdrawable capital by enforced retirement as provided in this Act and the by-laws; and to limit the issuance of or payments on withdrawable capital, subject however to contractual obligations. (As amended by act approved July 16, 1963.)

Section 1-7. Power to Borrow.)

(a) The board of directors may borrow money for the uses and purposes of the association, and may pledge, mortgage, or otherwise encumber any of its assets in connection therewith; but such borrowing shall not exceed fifty per cent (50%) of the aggregate withdrawal value of the association's withdrawable capital without prior approval of the Director. A subsequent reduction of withdrawable capital shall not affect in any way outstanding obligations for borrowed money.

(b) A debt incurred by the association in violation of this section is not invalid or illegal as to the rights of the lender. (As amended by act approved June 4, 1957.)

Section 1-8. Incidental Powers.) An association also shall have any power conferred on a corporation by the Business Corporation Act, and any power not prohibited by law, which is reasonably incident to the accomplishment of the express powers conferred upon the association by this Act.

Section 1-9. Powers Not to be Exercised.)

(a) No association to which this Act applies shall accept or carry any demand, commercial or checking account.

(b) No association shall establish branches or offices at which savings or investments are regularly received or loans approved unless and to the geographical extent branch powers and offices are granted to state banks under the "Illinois Banking Act", as amended, or as it may be amended or supplemented. (As amended by act approved July 16, 1963.)

Section 1-10. Definitions.) The following words and phrases have the following respective definitions for the purpose of this Act, except to the extent

that any such word or phrase is specifically qualified by its context:

(a) "Advisory Board": the Illinois State Savings and Loan Advisory Board, as described in the article of this Act concerning Supervision.

(b) "Aggregate withdrawal value": the sum of all payments made on all withdrawable capital accounts of the association and all dividends, and bonuses credited or allocated to such accounts, and all dividends credited to "divided profits" for subsequent crediting to accounts upon maturity; less all withdrawals, retirements, and other proper deductions from accounts and all unpaid charges thereon.

(c) "Association": every association to which this Act applies, as defined in the section concerning Scope of Act.

(d) "Director": The Director of Financial Institutions, or some person authorized by him to act in his stead.

(e) "Community": a city, village, or incorporated town in this State.

(f) "Continuing association": the association which continues to exist after a merger of associations has been effected.

(g) "Federal association": a savings and loan association or savings association operating under the laws and regulations of the United States.

(h) "Fiduciary": a trustee, executor, administrator, guardian, conservator, agent, receiver, trustee in bankruptcy, assignee for creditors, or any holder of a similar position of trust.

(i) "Impaired" or "impairment", with respect to capital: a condition in which the value of the association's assets is less than the aggregate amount of the association's liabilities to creditors, members, and the aggregate value of its withdrawable capital, and the aggregate par value of its permanent reserve capital.

(j) "Insurance corporation": The Federal Savings and Loan Insurance Corporation, or such other instrumentality of or corporation chartered by the United States as hereafter may be established for the purpose of insuring the withdrawable capital of savings and loan associations.

(k) "Insured association": an association the withdrawable capital of which is insured wholly or in part by an insurance corporation.

(l) "Merger": includes consolidation.

(m) "Merging association": an association which plans or effects a merger with one or more other associations, in accordance with the provisions of this Act concerning merger.

(n) "Person": an individual, partnership, joint venture, trust, estate, unincorporated association, or corporation.

(o) "Prior act": any statute of this State which, prior to the effective date of this Act, has

governed the formation and operation of associations of the type described in the section of this Act concerning Scope of Act.

(p) "Profits": as determined by application of proper accounting principles, gross income less the aggregate of operating and real estate expenses, losses actually sustained and not charged to reserves under the provision of this Act, interest paid or accrued on Borrowings and non-recurring charges.

(q) "Publication," "publish," or "published": printed in the American language in a newspaper of general circulation published in the community in which the association's business office is located, or if no such newspaper exists in said community, then in the county in which such business office is located. Unless otherwise specified in this Act, publication shall be made once each week for 3 successive weeks.

(r) "Mail" or "mailed," with respect to a writing or notice: deposit in a United States Post Office mailing facility, in this State, postage prepaid, correctly addressed to the proper person at his address stated on the association's records or otherwise agreed upon, or if no address has been so established, then to the last known address.

(s) "Total assets": the total value of all loan contracts without deduction for the withdrawal value of any capital accounts of the association held as collateral for loans, and the total value of all other assets of the association, as determined by the application of proper accounting principles.

(t) "Withdrawal value" of a capital account: the sum of all payments made by the holder on the account and all dividends, and bonuses credited or allocated to such account, less all withdrawals, retirements, and other proper deductions therefrom and all unpaid charges thereon. However, "withdrawal value" of a share account which is voluntarily withdrawn by the holder before maturity thereof, does not include any portion of the dividends which, pursuant to the by-laws, have not been credited directly to the account but have been credited to "divided profits" of the association, and which the association is entitled to retain by reason of such voluntary withdrawal; and does not include any portion of the bonus reserve which may be retained. (As amended by act approved July 24, 1959.

ARTICLE 2—Incorporation and Organization.

Section 2-1. Applicants and Initial Capital.) Any five or more adult individuals, residents of this State, may apply for a permit to organize an association under this Act. The minimum initial capital which an association must have shall be determined by the population of the community in which the association's business office is to be located, in accordance with the following table:

Population		Minimum Capital
More than	Not more than	
—	5,000	\$ 15,000
5,000	10,000	25,000
10,000	50,000	50,000
50,000	—	200,000

If the association's business office is to be located in an unincorporated area more than five miles from the limits of any community, then the required minimum capital shall be that for a community of five thousand (5,000) population or less; otherwise, the required capital shall be that of the community to which it is adjacent, or if near several communities, that of the community with the highest population classification in the above schedule. Minimum capital to be paid in may consist of withdrawable capital and permanent reserve capital as provided in this Act. If the capital of the association to be organized includes permanent reserve capital, the amount of minimum initial permanent reserve capital shall be not less than twenty-five thousand dollars (\$25,000), and not less than fifty thousand dollars (\$50,000) if the association is to be located in a county with more than five hundred thousand (500,000) population. (As amended by act approved July 11, 1957.)

Section 2-2. Application for Permit to Organize.)

The application for a permit to organize an association shall be addressed to the Director in such form as he shall provide; shall be in duplicate, personally signed by each applicant and acknowledged by each applicant in the manner provided for the acknowledgment of deeds. The applicants shall submit with their application statements, exhibits, maps, and other data, which data shall be sufficiently detailed and comprehensive to enable the Director to pass upon the application. (As amended by act approved June 4, 1957.)

Section 2-3. Findings and Hearing.) If the Director does not deny the application on the basis of the data submitted by the applicants and any other information in his possession, the applicants shall publish a notice of intention to organize in such form as the Director shall prescribe. The Director may hear evidence to determine his findings at any time prior to the issuance of a permit to organize. (As amended by act approved June 4, 1957.)

Section 2-4 Director's Approval and Issuance of Permit to Organize.) The Director shall not approve the application and issue a permit to organize unless he shall find:

(a) That a need exists for an association and that the public convenience and advantage will be promoted by the proposed association, in the community or area of operation stated in the application;

(b) That the proposed capital meets the requirements of this Act;

(c) That the general character of the proposed management is such as to assure reasonable probability of the success of the association; and further to assure the success of the association the Director

may require as a condition in the permit that insurance of withdrawable capital shall be effective prior to the issuance of a Certificate of Complete Organization;

(d) That the name of the proposed association is not the same as, or deceptively similar to, the name of any other association in the community or area of operation; and no such name shall contain the words "guaranty", "Guarantee", "insured", or any other word the meaning of which might imply that the association is insured by the insurance corporation unless in fact such insurance or a commitment to insure has been obtained, and such prohibition shall likewise extend to an association amending its articles of incorporation to change its name;

(e) That such association can be established without undue injury to properly conducted existing associations. (As amended by act approved July 9, 1959.)

Section 2-5. Subscription to Capital and Temporary Organization.) Upon receipt of the permit to organize an association, the applicants shall constitute the organization committee and shall perfect a temporary organization by electing a chairman, vice-chairman, and a secretary, who shall act as the temporary officers of such association until their successors are duly elected and qualified. Such temporary officers thereupon shall proceed to:

(a) Secure subscriptions for the required amount of capital in form and manner approved by the Director; and

(b) Call a meeting of subscribers, who shall adopt articles of incorporation and elect directors to serve until the first annual meeting of the association and until their successors are elected and qualified. (As amended by act approved June 4, 1957.)

Section 2-6. Completion of Organization.) The directors so elected shall proceed to:

(a) Organize as a board and qualify as directors;

(b) Adopt by-laws;

(c) Elect officers pursuant to the by-laws;

(d) Collect subscription to the required capital, but only after the persons designated to collect such subscriptions have been bonded as provided in this article;

(e) Take such other action as may be necessary to complete the organization;

(f) Report the completion of the organization to the Director. Unless such report is made to the Director within 6 months after the date of the permit to organize, the permit shall be deemed revoked and any subscriptions collected shall be refunded unless the Director, upon good cause shown, shall extend the time for filing such report for a fixed period which shall not exceed 6 months. (As amended by act approved July 24, 1959.)

Section 2-7. Certificate of Complete Organization.) When the board of directors has organized as provided in this Act and the report of organization has been filed with the Director, he shall make a thorough examination into the affairs of the association, and if he approves the articles of incorporation and is satisfied that all the requirements of this Act have been complied with, and that no intervening circumstance has occurred to change the Director's findings made pursuant to this Act, upon payment into the Department of Financial Institutions of the reasonable expenses of such examination as determined by the Director, he shall issue a certificate of complete organization authorizing the association to commence business. Such certificate together with the articles of incorporation shall be recorded by filing the same for record in the office of the recorder of deeds in the county in which the association is located. Upon such recording the association shall be fully organized and may commence to do business. Such certificate of complete organization and articles of incorporation, or duly certified copies of the recording thereof, shall be conclusive evidence except against the State that the association has complied properly with all requirements for organization, has been duly incorporated, and is authorized to do business under the provisions of this Act. (As amended by act approved June 4, 1957.)

Section 2-8. Contents of Articles of Incorporation.)

(a) The articles of incorporation shall set forth:

(1) The name of the association.
(2) The initial location of the business office.

(3) The duration of existence, which is perpetual unless otherwise specified.

(4) The number of directors, not less than five (5).

(5) The authorization, if any, to issue withdrawable shares, the aggregate amount of which may be unlimited.

(6) The authorization, if any, to issue permanent reserve shares, the aggregate number thereof, and the par value per share which shall not be less than one dollar (\$1.00).

(7) The date of the annual meeting of the members which shall be not more than sixty (60) days after the close of the association's fiscal year.

(8) The quorum required for action of members if a quorum other than that specified in this Act is desired.

(9) Any other provision, not inconsistent with law, which the subscribers or members may desire, for the internal regulation of the affairs of the association.

(b) The articles need not set forth any of the powers which this Act confers. (As amended by act approved July 11, 1957.)

Section 2-9. Contents of By-laws.)

(a) The by-laws of the association shall provide for the following matters consistent with any applicable provisions of this Act:

(1) The minimum frequency of directors' meetings, which shall be at least monthly.

(2) The titles and duties of the officers.

(3) The officers authorized, or who may be authorized, by the directors to execute instruments.

(4) A description of the corporate seal.

(5) The fiscal year of the association.

(6) The location of the business office.

(b) Such by-laws may provide also for any or all of the following matters, among others, consistent with any applicable provisions of this Act:

(1) The method of calling special meetings of the members; requirements for giving notice of meetings of members in addition to the notice prescribed by this Act; and methods of nominating directors and other voting and election procedures.

(2) The method of determining the record date for voting, dividend, and other purposes.

(3) The procedure for the transfer of ownership of capital and for the enforcement of charges and liens.

(4) The plan or plans under which withdrawable capital is to be issued; the classes into which it may be divided; and the characteristics of each class as to time of issuance, times and amounts of payments to be made, classification for dividends purposes, and such other terms as are permitted by this Act.

(5) The method by which the directors may enforce retirement of unpledged withdrawable capital.

(6) The frequency with which profits of the association shall be apportioned and the methods of apportionment.

(7) Provision for establishment of executive, loan, investment, and appraisal committees, and such other special or standing committees as may be desirable.

(c) The Director may publish one or more standard forms of by-laws conforming to the provisions of this Act which may be adopted by associations. (As amended by act approved June 4, 1957.)

ARTICLE 3—Membership and Management.

Section 3-1. Members.)

(a) The membership of an association consists of:

(1) Every holder of a share account, or of one or more withdrawable or permanent reserve shares, issued by the association; and

(2) Every borrower from the association, as long as his loan remains unpaid and he remains liable to the association for the payment thereof; and every obligor of an investment made by the association under the provisions of the section of this Act concerning Investments in Obligations of Members; each of which members shall be known as a borrowing member.

(b) Each joint ownership and each joint obligation shall constitute one membership. (As amended by act approved July 11, 1957.)

Section 3-2. Members' Meetings.)

(a) Each annual meeting of the members shall be held at the time specified in the articles of incorporation; but the failure to hold an annual meeting at the time so specified shall not work a forfeiture or dissolution of the association. The board of directors, or the holders of not less than twenty per cent (20%) of the outstanding permanent reserve shares or of the withdrawal value of all withdrawable capital of the association, or such other person or persons as may be designated by the by-laws, may call a special meeting of the members. Every annual or special meeting shall be held at the business office of the association, or, if the space therein available for such meeting is inadequate, in such other place within the same county as shall be specifically designated in the notice of such meeting. Notice of an annual meeting shall be published once not less than ten (10) days nor more than forty (40) days before the date of the meeting. However, for any special meeting, or for any annual meeting which is to consider any proposition the affirmative action on which requires a two-thirds vote as set forth in this Act, the notice shall be by mail. Published or mailed notice shall state the place, day, hour and purpose of the meeting.

(b) A quorum at any meeting of the members shall consist of the members present in person or represented by proxy, who are entitled to cast a majority of the total number of votes which all members of the association are entitled to cast at such meeting; except that the articles of incorporation may specify some other quorum requirement, but not less than one-third of such total number of votes. Any meeting, including one at which a quorum is not present, may be adjourned by majority vote to a specified date without further notice.

(c) Voting at a meeting may be either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

(d) In the determination of all questions requiring ascertainment of the members entitled to

vote and of the number of outstanding shares, the following rules shall apply:

(1) The date of determination shall be as provided in the section of this Act concerning Record Date for Voting, Dividend and Other Purposes.

(2) Each person holding one or more withdrawable share accounts shall have the vote of one share for each one hundred dollars of the aggregate withdrawal value of such accounts, and shall have the vote of one share for any fraction of one hundred dollars.

(3) Each holder of permanent reserve shares shall have one vote for each permanent reserve share which he holds.

(4) Each borrowing member as such shall have the vote of one share in addition to any vote which he may have otherwise.

(5) Shares owned by the association shall not be counted or voted. (As amended by act approved July 11, 1957.)

Section 3-3. Record Date for Voting, Dividend and Other Purposes.) For the purpose of determining the holders of shares, capital accounts, and membership entitled to notice of or to vote at any meeting of the members, or in order to make a determination of the members, holders, or other persons for any other proper purpose, the by-laws may provide for a record date, not less than ten (10) days nor more than forty (40) days before the meeting, or other event or transaction with regard to which the determination is to be made; and such determination shall be made as of the close of business on such record date. If the by-laws do not provide for a record date, the board of directors may fix such a date for each such determination, within the time stated above; and if the board of directors shall fail to so fix a date, the record date for a meeting shall be the date on which the first notice of meeting is given. Shares or share accounts withdrawn or retired after such record date shall not be voted or counted in determining the number of shares outstanding. This section shall be applicable to the dividend payments on permanent reserve capital; but dividends on withdrawable capital shall be governed by the section of this Act concerning Dividends. (As amended by act approved July 11, 1957.)

Section 3-4. Directors.) The business and affairs of the association shall be exercised by its board of directors, which shall be elected, and shall exercise its powers, as follows:

(a) The board of directors shall consist of the number of directors fixed by the articles of incorporation but shall be not less than 5; all directors shall be bonafide members of the association; and at all times at least two-thirds of the directors shall be residents of this State.

(b) Directors shall be elected for one year and shall serve until their successors are elected and

qualified. In all elections of directors cumulative voting shall be permitted as provided in the Constitution of this State.

(c) In the event of a vacancy on the board of directors from any cause, the remaining directors shall have full power and authority to continue the management of the association. Each vacancy may be filled by election at a special meeting of the members.

(d) The board of directors shall hold regular meetings as provided in the by-laws. Special meetings may be held as provided in the by-laws, and also upon call by the Director after not less than 12 hours' notice by personal or mail service to each director.

(e) A majority of the board of directors shall constitute a quorum for the transaction of business unless a greater number is required in the by-laws. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by law, the articles of incorporation, or the by-laws.

(f) The board of directors shall have all powers which are necessary and proper to enable the association to accomplish its purposes.

(g) The board of directors may adopt or amend by-laws, but no by-law shall be effective until it has been submitted to and approved by the Director as being in conformity with this Act. Each adopted amendment shall be subject to the same inquiry by the Director as the corresponding provision in the original by-laws of the association except as provided in sub-section (h).

(h) If a by-law amendment provides for a change in the location of an association's business office to a location which is more than one mile distant from the existing location, the Director shall not approve the amendment unless he finds that (1) a need exists for an association in the proposed new location; (2) the capital of the association meets the minimum initial capital requirements of this Act with respect to the new location; (3) the proposed change of location can be effected without undue injury to other properly conducted associations; and (4) notice of the association's proposal to change location has been published at least once in the community of the proposed new location. The Director may hear evidence to determine his findings at any time prior to his approval or disapproval of the amendment; and he may require, as a condition of his approval, ratification of the amendment by the vote (at a meeting of the members) or the written consent of the members of the association who are entitled to cast a majority of the total number of votes which all members of the association are entitled to cast. (As amended by act approved July 24, 1959.)

Section 3-5. Waiver of Notice.) Whenever notice is required to be given under this Act, a waiver thereof in writing signed by the person or persons entitled to said notice, shall be deemed equivalent thereto.

Section 3-6. Officers.)

(a) The officers of an association shall consist of a president, one or more vice presidents, secretary, treasurer, and such other officers as the by-laws shall provide, to be elected by the directors; if the by-laws so provide, any two or more offices may be held by the same person, except that one person shall not hold the offices of president and secretary. The duties and powers of the secretary set forth in this Act may be exercised by any other officer designated by the board of directors.

(b) The existence of an association shall not terminate by reason of the failure to elect officers at the time mentioned in the by-laws, and each officer shall hold his office until his successor is elected and qualified.

Section 3-7. Bonds of Officers and Employees.)

(a) Every person appointed or elected to any position requiring the receipt, payment, management or use of money belonging to an association, or whose duties permit him to have access to or custody of any of its money or securities or whose duties permit him regularly to make entries in the books or other records of the association, before assuming his duties shall become bonded in some fidelity insurance company licensed to do business in this State. Each such bond shall be on a form or forms as the Director shall require and in such amount as the board of directors shall fix and approve.

(b) Nothing contained herein shall preclude the Director from proceeding against an association as provided in this Act should he believe that it is being conducted in an unsafe manner in that the form or amount of bonds so fixed and approved by the board of directors is inadequate to give reasonable protection to the association. (As amended by act approved June 4, 1957.)

Section 3-8. Access to Books and Records; Communication with Members.)

(a) Every member or holder of capital shall have the right to inspect such books and records of the association as pertain to his account. Otherwise, the right of inspection and examination of the books and records shall be limited to the Director, as provided in this Act, and to any Federal instrumentality or agency authorized to inspect or examine the books and records of an insured association; and no other person shall have access to the books and records except upon express authority of the board of directors, or shall be entitled to a list of the members

(b) However, if any member desires to communicate with the other members of the association with reference to any question pending or to be pre-

sented at a meeting of the members, the association shall give him upon request a statement of the approximate number of members entitled to vote at such meeting and an estimate of the cost of preparing and mailing such communication. The requesting member then shall submit the communication to the Director who, if he finds it to be appropriate and truthful, shall direct that it be prepared and mailed to the members, upon the requesting member's payment or adequate provision for payment of the expenses of such preparation and mailing. (As amended by act approved June 4, 1957.)

ARTICLE 4—Capital.

Section 4-1. Types of Capital; Personal Property.)

(a) The capital of an association may be represented by withdrawable capital accounts (shares and share accounts) or permanent reserve shares or both, as provided in this article and as authorized by the articles of incorporation.

(b) All shares and capital accounts shall be personal property in the hands of their holders, transferable as provided in this Act and the by-laws of the association. (As amended by act approved July 11, 1957.)

Section 4-2. Withdrawable Capital.) Withdrawable capital accounts shall be:

(a) Withdrawable and subject to enforced retirement as provided in this article. Nothing in this act shall prevent the withdrawal of funds from an association by non-negotiable order.

(b) Entitled to dividends as provided in this article;

(c) Nonassessable for either debts or losses of the association;

(d) Issued on such plan or plans of payment therefor or thereon and in such series or classes as the by-laws may provide, which plan or plans of payment may include;

(1) Regular installment plan: agreed weekly or monthly payments, with dividends credited to or in behalf of the account until the ultimate value agreed upon in the subscription is reached;

(2) Full paid plan: one single payment of one hundred dollars (\$100) per unit, with dividends payable in cash unless by agreement credited to the account;

(3) Pre-paid plan: one single payment in such amount per unit as is set forth in the by-laws, with dividends credited to such account until the ultimate value of one hundred dollars (\$100) per unit is reached;

(4) Optional plan: payment in such amount or amounts and at such times as the holder

may elect, with dividends credited to such account unless by agreement payable in cash;

(5) Other plans: any other plan of payment which the Director may approve as conforming to a sound savings and loan practice. (As amended by act approved June 4, 1957.)

Section 4-3. Permanent Reserve Shares — Nature.) Permanent reserve shares shall constitute a secondary reserve out of which losses shall be paid after all other available reserves have been exhausted, and shall have a par value of one dollar (\$1.00) each or such greater amount as the articles of incorporation may prescribe; and such shares shall be:

(a) Nonwithdrawable, except as provided in the section of this article on Retirement or Reduction of Permanent Reserve Capital, until all liabilities of the association have been satisfied in full, including payment of the withdrawal value of all other types or classes of capital.

(b) Entitled to dividends only as provided in the section of this article concerning Dividends.

(c) Issued only upon cash payment of not less than the par value thereof, or in exchange for the withdrawal value of withdrawable capital accounts, or in connection with a merger, sale of all assets, or conversion, or as stock dividends as provided in the section of this article on Dividends. (As amended by act approved July 11, 1957.)

Section 4-4. Permanent Reserve Shares—Authorization of Issuance; Minimum Amount.)

(a) An association may provide for the issuance of permanent reserve shares, either by its original articles of incorporation or by an amendment thereto.

(b) The aggregate par value of the initial issue of permanent reserve shares shall be not less than the minimum initial permanent reserve capital which the association, if it were being organized, would be required to have under the provisions of the section of this Act concerning Applicants and Initial Capital; and also shall not be less than the amount computed by adding 3% of the first \$5,000,000 of the aggregate withdrawal value of the association's withdrawable capital, 2% of the next \$2,500,000 of such capital and 1% of any excess of such capital over \$7,500,000.

(c) Any plan for the issuance of permanent reserve shares shall be subject to the approval of the Director as being equitable and in conformity with the provisions of this Act, and the rules and regulations of the Director pertaining thereto. (As amended by act approved July 24, 1959.)

Section 4-5. Permanent Reserve Shares—Rights of Existing Shareholders.) When an association al-

ready in operation amends its articles of incorporation to authorize the issuance of permanent reserve shares:

(a) The association shall mail notice to each shareholder who was entitled to vote at the meeting at which the amendment was adopted, giving him the prior right for at least sixty (60) days after the date of mailing such notice, to subscribe to the initial issue of permanent reserve shares, in the same proportion which the withdrawal value of such holder's share account bears to the aggregate withdrawal value of all withdrawable share accounts in the association. Such rights to subscribe shall be transferable. No fraction of an original permanent reserve share need be issued, but in such case fractional subscription rights may be combined to authorize the subscription to one or more whole permanent reserve shares. Fractional subscription rights need not be issued for an account the withdrawal value of which is less than ten dollars (\$10.00).

(b) Unless other provision is made with respect to reserves and undivided profits, as authorized by sub-section (f) of this section, the board of directors shall determine, as of the day prior to the effective date of the amendment, the total amount of loss reserves, undivided profits, and unallocated reserves after making allowances for accrued dividends and expenses, losses not provided for, and such similar items as are chargeable against the income of the association since the last previous apportionment date. The amount so fixed shall constitute a segregated surplus of the association and may be retained in, or allocated to, such reserve accounts, undivided profits accounts, or surplus accounts as may be lawful; and other earnings of the association accruing after the effective date may be allocated to said segregated surplus and an equal amount then may be transferred to any other unsegregated account.

(c) Such segregated surplus shall be available for losses from the depreciation of securities or otherwise, except that any loss resulting from operations, including loans and investments made or purchased after the effective date of the amendment, shall be charged first to loss reserves and undivided profits created after such date until the same are exhausted.

(d) If the association merges with another as provided in this Act, the balance of such segregated surplus shall continue to be held in a segregated account or accounts for the same use and disposition as though no merger had occurred.

(e) If the association liquidates or effects a sale of all or substantially all of its assets the balance of such segregated surplus shall be distributed to each holder of its capital in the proportion that the amount of his account bears to the total capital.

(f) In lieu of the establishment of a segregated surplus as provided in this section, the plan

for the issuance of permanent reserve shares may include such other provisions with respect to the surplus, reserves and undivided profits of the association as may be approved by the vote (at a meeting of the members) or the written consent of the members of the association who are entitled to cast two-thirds ($2/3$) or more of the total number of votes which all members of the association are entitled to cast, and in such case the surplus, reserves and undivided profits shall be retained and disposed of in accordance with such plan. (As amended by act approved July 11, 1957.)

Section 4-6. Permanent Reserve Shares—Advertisement; Sale; Collection of Subscriptions.)

(a) All prospectuses and advertising matter regarding the subscription for permanent reserve shares shall include a statement to the effect that such permanent reserve shares are not insured.

(b) No association shall pay to any person any commission or other compensation for obtaining any subscription to or sale of permanent reserve shares.

(c) The board of directors shall establish a separate account to receive all funds paid in for permanent reserve shares, and shall maintain such account until further action is authorized as follows:

(1) When the aggregate amount of such funds equals or exceeds the amount of the minimum initial permanent reserve capital which the association must obtain, and either the board of directors has decided by resolution to proceed under the permanent reserve share plan, or one year has elapsed from the date on which the issuance of permanent reserve shares was authorized and the board has taken no action, then the separate account may be terminated and the funds may be transferred to the association's general account.

(2) If the aggregate amount of such funds fails to reach the amount of the minimum initial permanent reserve capital which the association must obtain and one year has elapsed from the date on which the issuance of permanent reserve shares was authorized; or if the board of directors, within such one year period, has decided by resolution to abandon the permanent reserve share plan; then the funds in the separate account shall be returned to the respective subscribers and shall not become a liability of the association or its officers or directors. (As amended by act approved July 11, 1957.)

Section 4-7. Retirement or Reduction of Permanent Reserve Capital.)

(a) The board of directors of an association operating with permanent reserve capital may propose an amendment to the articles of incorporation providing for the retirement of all of the permanent reserve capital, and a detailed plan for effectuating such amendment. The resulting capital of the association shall be not less than the minimum initial

capital which the association, if it were being organized, would be required to have under the provisions of this Act concerning Applicants and Initial Capital. The proposal shall be submitted to the Director for his approval.

(b) If the Director approves the proposal, the association's board of directors may request in writing an appraisal of the value of the permanent reserve shares; and the Director then shall cause such an appraisal to be made, allowing proper credit to such shares from the association's segregated surplus, if any exists, and from other reserves and undivided profits. The value of the permanent reserve shares so determined may be considered in the further proceedings under this section.

(c) The proposal then may be submitted to the members at an annual or special meeting. It shall be adopted upon receiving in the affirmative the votes of the holders of two-thirds or more of the outstanding permanent reserve shares, and also two-thirds or more of the total number of votes which all other members of the association are entitled to cast thereon. The proposal shall become effective upon completion of the procedure provided in this Act for the amendment of articles of incorporation.

(d) An association may amend its articles of incorporation, in accordance with the procedure provided in this Act for such amendments, to reduce its permanent reserve capital, but in no event to an amount which is less than the minimum permanent reserve capital which the association would be required by this Act to issue if it were newly authorized to issue permanent reserve capital. (As amended by act approved July 24, 1959.)

Section 4-8. Issuance, Delivery and Transfer of Certificates and Account Books.)

(a) Every capital account shall be evidenced by one or more appropriate certificates; and either such certificates or an account book, or both, shall be delivered to the holder of such account. The wording, type, and form of the certificates and account books issued by an association shall be subject to the approval of the Director.

(b) The holder of a withdrawable capital account may transfer his rights therein absolutely or conditionally to any other person eligible to hold the same, by written assignment accompanied by delivery of the appropriate certificate or account book; but notwithstanding the effectiveness of such a transfer between the parties thereto, the association may treat the holder of record as the owner of the account for payment, voting, and all other purposes until such assignment and any accompanying certificate or account book have been received by the association with a request for the transfer on the association's records.

(c) Withdrawable capital certificates, account books, and any other evidences of membership shall

be nonnegotiable and not subject to Article 8 of the Uniform Commercial Code concerning Investment Securities. Permanent reserve share certificates shall be subject to the provisions of Article 8 of the Uniform Commercial Code concerning Investment Securities. (As amended by act approved July 16, 1963.)

(d) All withdrawable capital certificates and account books, delivered to the holders as prescribed by this article, shall be subject to attachment and execution as provided by the laws of this State, and the association shall not be subject to garnishment proceedings concerning any capital account, except with respect to a certificate or account book in the association's possession, and when

(1) Neither a certificate nor an account book has been delivered to the holder as required by this section, or

(2) The certificate and account book (or either of them if only one has been delivered) have been returned to the association's possession.

(e) If the holder of a withdrawable capital account, or the personal representative of any such person, shall file with the association an affidavit to the effect that his account book or certificate has been lost or destroyed, and that such account book or certificate has not been pledged or assigned either in whole or in part, then such association may issue a substitute account book or certificate in the name of such holder, with a statement therein that such account book or certificate is issued in lieu of the one lost or destroyed. The association shall not be liable thereafter with respect to the original account book or certificate; but the board of directors may require a bond in sufficient amount to indemnify the association against any loss which might result from the issuance of such substitute account book or certificate. (As amended by act approved July 24, 1959.)

Section 4-9. Who May Hold Capital and Membership.) Withdrawable capital accounts, permanent reserve shares, and membership in an association, may be held:

(a) By any individual in his own right, regardless of his age or marital status, or by two or more of such individuals;

(b) By a fiduciary, when authorized by law;

(c) By a government or governmental instrumentality when authorized by law;

(d) By any corporation or other person as defined in this act when not prohibited by law. (As amended by act approved July 11, 1957.)

Section 4-10. Joint Account; Trust Account; Payment on Death Account.)

(a) If two or more persons opening or holding a withdrawable capital account shall execute a written agreement with the association or federal association providing that the account shall be payable to any or the survivor of them, the account, and any balance thereof which exists from time to time, shall be held by them as joint owners with right of

survivorship and, unless otherwise agreed, any payment by the association or federal association to any of such persons shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. A pledge of such account by any holder or holders including minors authorized to withdraw amounts from such accounts shall, unless otherwise specifically agreed, be a valid pledge and transfer of the account and shall not operate to sever or terminate the joint and survivorship ownership of all or any part of the account.

(b) If one or more persons opening or holding a withdrawable capital account shall execute a written agreement with the association or federal association providing that the account shall be held in the name of such person or persons as trustees for one or more persons designated as beneficiaries, the account and any balance thereof which exists from time to time, shall be held as a trust account and unless otherwise agreed between the trustees and the association or federal association:

(1) Any such trustee during his lifetime may change any of the designated beneficiaries by a written direction accepted by the association or federal association; and

(2) Any such trustee may withdraw or receive payment in cash or check payable to his personal order and any payment or withdrawal shall constitute a revocation of the agreement as to the amount withdrawn; and

(3) Upon the death of the last surviving trustee the person or persons designated as beneficiaries who are living at the death of the last surviving trustee shall be the holders of the account (as joint owners with right of survivorship if more than one) and any payment to the holder or any of such holders shall be a complete discharge of the association's or federal association's obligation as to the amount so paid.

(c) If a person opening or holding a withdrawable capital account shall execute a written agreement with the association or federal association providing that on the death of the person named as holder, the account shall be paid to or held by another person or persons, the account, and any balance thereof which exists from time to time, shall be held as a payment on death account and unless otherwise agreed between the persons opening the account and the association or federal association:

(1) Upon the death of the holder of the account, the person or persons designated by him and who have survived him shall be the owners of the account (as joint owners with right of survivorship if more than one) and any payment made by the association or federal association to any of such persons shall be a complete discharge of the association's or federal association's obligation as to the amount paid; and

(2) The person to whom such account is issued may change during his lifetime the designa-

tion of any of the persons who are to be holders at his death, by a written direction accepted by the association or federal association; and

(3) The person to whom such account is issued may withdraw or receive payment and any payment made by the association or federal association shall be a complete discharge as to the amount paid.

(d) Whenever in any of the above situations, none of the beneficiaries of a trust account and none of the persons designated to hold on death in a payment on death account, survive the last trustee or person to whom the payment on death account is issued, the account, and any balance thereof which exists from time to time, shall be held by the trustee or holder of the account in his own right, unless it is otherwise agreed.

(e) No addition to any account, nor withdrawal, payment, revocation, or change of beneficiary or payee shall affect the nature of the account as a joint account with right to survivorship, trust account, or payment on death account.

(f) Any association or federal association may continue to recognize the authority of an attorney authorized in writing to manage or to make withdrawals either in whole or in part from the withdrawable capital account of a member until it receives written notice or actual notice of the death or adjudication of incompetency of such member or revocation of the authority of such attorney. Any payment by the association or federal association to an attorney prior to receipt of such notice shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. (As amended by act approved August 14, 1961.)

Section 4-11. Effect of Payment to Minor or Fiduciary.) Unless the written agreement provides otherwise, or unless the association or federal association has had written notice of the terms under which a fiduciary holds a withdrawable capital account, the association or federal association may make loans on the security of withdrawable capital accounts or pay the value thereof and dividends thereon:

(a) To any minor who is a holder of such withdrawable capital account;

(b) To such fiduciary who is the holder of such account without becoming liable to any beneficiary for such payment.

In each of the foregoing instances the receipt or acquittance of the person or persons to whom payment is made in accordance with the provisions of this section shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. In the case of a minor, the receipt, acquittance, pledge or other action required by the association to be taken by the minor shall be binding upon such minor with like effect as if he were of full age and legal capacity. (As amended by act approved August 14, 1961.)

Section 4-12. Payment on Incompetency or Death of Holder in His Own Right of Withdrawable Capital.)

(a) If the holder in his own right of a withdrawable capital account becomes incompetent and adjudication thereof has been made by a court of competent jurisdiction, then the association may pay the value of such withdrawable account and dividends thereon:

(1) To the conservator of such holder in his own right upon his appointment and qualification;

(2) In the case of small estates as defined in the Probate Act where the appointment of a conservator is unnecessary, then to the persons entitled thereto in accordance with the provisions of the Probate Act.

Until the association has actual knowledge that such holder has been adjudicated incompetent, it may pay to him personally and his receipt or acquittance therefor shall be a complete discharge of the association as to the amount so paid.

(b) Upon the death of a holder in his own right of a withdrawable capital account the association upon receipt of proper inheritance tax waivers may pay the value thereof and dividends thereon:

(1) To the personal representative of such deceased holder if and when qualified, in the manner provided in this Act for the voluntary withdrawal of accounts generally.

(2) In the case of small estates as defined in the Probate Act where no personal representative is appointed, then to the persons entitled thereto in accordance with the provisions of the Probate Act.

(3) After one year from the date of decedent's death, where no personal representative has been appointed and no action has been taken to obtain payment as in the case of small estates under the Probate Act, the association in its discretion may make payment to the surviving spouse or next of kin of the holder or other persons entitled thereto as in the case of small estates as provided in the Probate Act; and the association shall not become liable to any personal representative of the decedent thereafter appointed, but the directors may require a bond to indemnify the association against loss by reason of such payment.

Section 4-13. Voluntary Withdrawal of Capital Accounts.)

(a) A holder of withdrawable capital may make application for withdrawal of, and the association may pay, all or any part of the withdrawal value thereof at any time. However an association may enter into a contract pursuant to the laws of the United States or this state as they now are or as they may be amended or supplemented and such contract may in reference to said law provide among other things that no withdrawal may be made except

as provided by such law specifically referred to in the contract or the certificate of withdrawable capital.

(b) If the association has insufficient funds in the treasury and from current receipts to pay all matured accounts and applications for withdrawal, within 30 days after such accounts mature or payment is requested, then the board of directors shall provide by resolution:

(1) The amount of money available in each calendar month to pay maturities and withdrawals, in accordance with safe and required operating procedure; but after making provision for expenses, debts, obligations, and cash dividends on capital accounts, due or to become due, not less than 50% of the remainder of such treasury funds and current receipts shall be made available for the payment of withdrawals and maturities;

(2) For a list of matured capital accounts in order of maturity, and if in the same series, in order of issuance in such series; and also of applications for withdrawals in chronological order of filing. Separate lists may be established for such purposes, in which event the resolution shall provide the proportion of available money which shall be applied to each list;

(3) For a maximum sum, which shall not exceed \$1,000, which may be paid to any one holder at any one time; and if any holder's application for withdrawal or for payment of matured shares exceeds the sum so fixed, then he shall be paid in his turn the sum so fixed, and his application, reduced by such payment, shall be deemed refiled in its order as if filed on the date of such payment. Such limited payment may be made on a fixed date in each month and such refiled and renumbering, as the case may be, may take place on the same date in each subsequent month as long as any applications remain unpaid;

(4) For a maximum sum, which shall not exceed \$200, which may be paid on any application for withdrawal or to any one holder of matured shares in any calendar month, regardless of the order of application.

(c) Withdrawable capital pledged as sole security for a loan shall be subject to the withdrawal provisions of this section, but amounts available for payment on the application for withdrawal shall be applied first to the repayment of the loan balance.

(d) Withdrawable capital may be accepted by the association in payment or part payment for any real estate or other assets owned by the association; but if the association has a list of withdrawals or withdrawals and maturities, such sale of assets shall be to the highest bidder, and at least 10 days notice of the proposed sale shall be given by mail to all holders of withdrawable or matured capital whose names appear on the withdrawal or maturity list.

(e) No holder shall have more than one application for withdrawal in effect at any one time; but a holder may cancel his application or reduce the

amount thereof at any time as to any amount not yet paid.

(f) The holder of withdrawable capital for which application for withdrawal has been made, does not become a creditor by reason of such application.

(g) The board of directors of any association operating on the serial plan or with regular installment or prepaid shares on which dividends have not been credited directly to the share accounts, may determine by resolution the portion of profits which may be paid to withdrawing members.

(h) An association while operating under this Section may accept additional withdrawable capital from its present shareholders as well as accept new withdrawable capital accounts and such withdrawable capital accounts shall not be subject to the provisions of subsection (b) of this section but shall be subject to withdrawal at will so long as the association is operating under the provisions of subsection (b) of this section. (As amended by act approved July 16, 1963.)

Section 4-14. Maturity of Shares.)

(a) When a regular installment or prepaid share reaches maturity value by reason of payments or dividend credits, or both, all payments thereon by the holder shall cease. The association either shall pay to the holder the maturity value of such share, in accordance with the provisions of this article, or shall mail a notice to the holder at his last known address as it appears on the association's records, to the effect that he is entitled to receive payment for such share or to transfer the same or such portion thereof as the directors may specify, into other withdrawable capital, and that if he takes neither action within sixty (60) days after the date on which such notice is mailed, the value of such share may be held in a creditor account without interest or dividends, available for the holder upon his application, or the board of directors may transfer such share to another withdrawable account of equivalent value on which dividends shall accrue as on a new account opened on the transfer date.

(b) If the association has insufficient funds to make immediate payment upon the date of maturity of any shares, such shares shall be listed in the order of their respective dates of maturity, and shall be paid in the manner provided in the section of this article concerning Voluntary Withdrawal of Capital Accounts. Shares in the same series maturing on the same date shall be listed, as of such date, in the order in which they were issued in that series. From the date of maturity until payment, dividends shall be apportioned to such matured shares at a rate to be determined by resolution of the board of directors. Dividends so apportioned shall be accumulated to the credit of such shares and shall be paid to the holder at the time when the shares are paid. However, the rate of such dividends shall not exceed the highest rate being currently apportioned to any other shares.

Section 4-15. Enforced Retirement of Withdrawable Capital Accounts.)

(a) The board of directors, when authorized by the by-laws, and in conformity with the provisions of this section and of the by-laws, may retire any withdrawable capital accounts which have not been pledged as security for loans by enforcing the retirement thereof.

(b) A thirty (30) day notice of such enforced retirement shall be given to the holder of an account to be retired, and after the end of such thirty (30) day period, the holder shall not be entitled to further dividends, but shall be paid the full withdrawal value of his account as determined at the last preceding apportionment of profits, plus all payments made since such apportionment, and plus such additional dividends as the board of directors may determine to be equitable and within the earning rate of the association for the period which has elapsed since the last preceding apportionment of profits, but less any unpaid charges. However, all accounts upon which applications for voluntary withdrawal have been received, and all shares which have matured, shall be paid first in accordance with the provisions of this article.

Section 4-16. Authorized Charges Applicable to Members.)

(a) An association may charge an initial membership fee and a fee for transfer of membership or capital, but no such fee shall exceed twenty-five cents (25c) per share or per one hundred dollars (\$100) of the account.

(b) The association's by-laws may provide for a charge or penalty for the non-payment when due, of agreed payments on capital accounts, and of installments, interest, or premiums on loans; but no such charge or penalty shall exceed the sum of two cents (2c) per dollar of the amount payable in any one month, and no such charge or penalty shall be either compounded or cumulated. However, if a loan has been predicated on a membership entitling the borrowing member to a vote of one share, no such charge or penalty shall exceed the sum of five cents (5c) per month per dollar of the amount payable, or in lieu thereof such further interest charge as may be provided in the loan contract.

(c) All fees, charges, and penalties collected shall be accounted for as a part of the receipts of the association. (As amended by act approved July 11, 1957.)

Section 4-17. Capital Accounts Subject to Liens.)
Every withdrawable capital account shall be subject to a lien for the payment of such charges as lawfully may accrue thereon under the provisions of this Act, and the by-laws may prescribe the manner of enforcing such lien; but no member shall be responsible for any losses which the then existing assets of the association shall not be sufficient to satisfy, or for any unpaid installment upon his account which is not yet due under the terms of his subscription.

Section 4-18. Apportionment of Profits.) The board of directors shall apportion the profits of the association, at least annually and as much more often as the by-laws may prescribe; and each apportionment shall be made in accordance with the following procedure:

(a) A proper allocation first shall be made to the contingent reserve and to any other reserve required by the section of this article concerning Reserves.

(b) Additional allocations then may be made to such special reserves as the board of directors may have established in accordance with the section of this article concerning Reserves.

(c) Dividends then may be declared, first on withdrawable shares and share accounts and thereafter on permanent reserve shares, in accordance with the provisions of this Act and the by-laws.

(d) The residue of such profits may be held as "undivided profits", subject to use in the same manner as profits generally; but except upon prior approval by the Director the total amount of "undivided profits" at no time shall exceed 5% of the aggregate withdrawal value of the association's withdrawable capital. (As amended by act approved July 24, 1959.)

Section 4-19. Reserves.)

(a) Each association shall have a contingent reserve to which the board of directors shall allocate such portion of the association's profits as the board may determine; except that whenever the total amount of such reserve together with special reserves for losses and the insurance reserve of an insured association is less than 7½% of the aggregate withdrawal value of the association's withdrawable capital accounts, the allocation to such contingent, special reserve or the insurance reserve of an insured association upon each apportionment of profits shall total not less than 10% of the profits being apportioned, or such lesser portion as will increase the aggregate of such reserves to the required total amount. In lieu of the requirements specifically set forth in the preceding sentence, an insured association may make such allocations to the reserves as may from time to time be required by the insurance corporation. (As amended by act approved July 16, 1963.)

(b) The board of directors may establish and maintain such special reserves as they may deem advisable, to provide for losses or liabilities; the contingent reserve, or any of such special reserves, may be designated as the insurance reserve for an insured association, or transfers from such reserves in whole or in part may be made to the insurance reserve; and losses may be charged to such reserves as the board of directors may determine.

(c) In addition to the foregoing reserves, an association operating under a bonus plan, as authorized by the section of this Act concerning Bonus Plans, shall establish and maintain a bonus reserve in such an amount as will be sufficient to satisfy the

obligations of such plan; and any excess amount in said reserve may be transferred from time to time to undivided profits. (As amended by act approved August 14, 1961.)

Section 4-20. Dividends.)

(a) Subject to the restrictions set forth in this section and the association's by-laws, the board of directors from time to time may determine the rate and amount of dividends to be paid on capital, and for that purpose may establish reasonable classifications of withdrawable capital accounts, based on (1) types or classes of such accounts, or (2) the length of time accounts are continued in effect, or (3) size of initial payments on accounts, or (4) minimum balances of accounts during apportionment periods, or (5) frequency and extent of the activity of accounts, or (6) such other classifications as the Director may approve; and the Director is authorized to prepare model plans of classifications for adoption by associations.

(b) However, the declaration of dividends on capital shall be subject to the following restrictions:

(1) No dividends shall be declared when the total amount of the contingent reserve is less than that required by the section of this Act concerning Reserves, unless the allocation provided by said section has been made.

(2) Regardless of any dividend rate to which any class of withdrawable share account is entitled, by limitation as expressed in the appropriate certificate or account book, or by action of the board prior to the date of the dividend declaration, no dividend shall be declared on such class which exceeds the dividend rate currently declared on withdrawable share accounts which are unlimited as to participation in dividends.

(3) The rate of dividend allocated to withdrawable share accounts which according to their terms are unlimited as to participation in dividends, shall not exceed by more than 1% the rate of dividends allocated to the class of share accounts which is entitled to the highest limited rate of participation, unless the total withdrawal value of such unlimited accounts is more than 20% of the aggregate withdrawal value of all withdrawable capital of the association, or unless the association has discontinued the issuance of unlimited accounts, or unless unlimited accounts are being offered and made available for issuance without discrimination.

(4) No dividends shall be declared on permanent reserve shares until after payment or provision has been made for all expenses, losses, required reserves, and dividends on withdrawable capital; or at a time when the par value of all the permanent reserve shares outstanding, all undivided profits, and all reserves available for losses, total less than 5% of the aggregate withdrawal value of the association's withdrawable capital, or when the payment of such a dividend would reduce such total amount to less than such 5%. However, a stock dividend may be declared out of undivided profits at any time.

(c) A dividend need not be allocated to any share account, other than a regular installment share account, which has a withdrawal value of less than \$10 on the record date with respect to which the dividend is paid; and no allocation need be made to a share account which by written agreement will be closed within 15 months of the date on which such account is opened.

(d) The board of directors shall determine by resolution the method of calculating the amount of any dividend on withdrawable capital, and the date on which the same is to be declared or credited; but no payment or credit shall be made more than 10 days before the end of any apportionment period. (As amended by act approved July 24, 1959.)

Section 4-21. Bonus Plans.) For the purpose of encouraging thrift, systematic savings, and long term investment, the board of directors may establish by resolution bonus plans for holders of withdrawable capital accounts; and the board then shall transfer from the periodical profits of the association additional amounts to a bonus reserve as provided in the section of this Article concerning Reserves, from which reserve payments to holders complying with such plans shall be paid. Every bonus so paid shall be deemed a premium and shall not be construed as a dividend. The bonus plans shall be in accordance with the following provisions:

(a) The holder shall agree to make regular payments at least monthly, of any predetermined amount, until the payments together with dividends apportioned thereto equal two hundred (200) times the agreed monthly payment and without a delay of more than sixty (60) days in any payment, without a prepayment of more than twelve (12) months and without making application for withdrawal of all or any part of the account. At the end of the bonus period, the holder shall receive, in addition to the regular monthly payments and dividends apportioned thereto, a bonus at the rate of one per cent (1%) per annum computed on the withdrawal value of the account at each apportionment of profits. However, if the holder shall apply for withdrawal of his account in part or in full or shall fail to meet any and all the other terms of his bonus agreement after such account, including dividends apportioned thereto, has reached:

(1) At least fifty (50) but less than one hundred (100) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive one-fourth ($\frac{1}{4}$) of the bonus allocable to such account;

(2) At least one hundred (100) but less than one hundred fifty (150) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive one-half ($\frac{1}{2}$) of such bonus allocable to such account;

(3) At least one hundred fifty (150) but less than two hundred (200) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to re-

ceive three-fourths ($\frac{3}{4}$) of such bonus allocable to such account.

(b) The holder shall subscribe to a long-term investment plan providing that if he maintains in his account an agreed balance (1) if for a period of four (4) years, he shall be paid a bonus of an agreed rate not to exceed one-half of one per cent per annum, or (2) if for a period of eight (8) years, he shall be paid a bonus of an agreed rate not to exceed one per cent per annum. The plan may state the minimum and maximum balances on which a bonus may be paid.

(c) If the association effects an enforced retirement of an account which is under a bonus plan before the bonus becomes payable according to the plan, the portion of the bonus reserve allocable to the account shall be paid to the holder.

(d) Other Bonus Plans. Any bonus plan other than those provided for by paragraph (b) of this Section may be established for the purpose of encouraging thrift, systematic savings or long-term investment upon approval by the Director of Financial Institutions by general regulation, except that any such other bonus plan so approved shall not allow a bonus in excess of that allowed for Federal associations. (As amended by act approved August 14, 1961.)

ARTICLE 5—Investments.

Section 5-1. Investment in Obligations of Members.) An association may loan funds to members as follows:

(a) On the security of withdrawable capital accounts, but no such loan shall exceed the withdrawal value of the pledged account;

(b) On the security of real estate:

(1) Of a value, determined in accordance with the section of this Act concerning Appraisals, sufficient to provide good and ample security for the loan; and

(2) With a fee simple title which is unencumbered except as permitted in the section of this Article concerning Real Estate Encumbrances; or

(3) A leasehold title of not less duration than 14 years beyond the maturity of the loan; and

(4) With the title established by such evidence of title as is consistent with sound lending practices in the locality; and

(5) With the security interest in such real estate evidenced by an appropriate written instrument and the loan evidenced by a note, bond or similar written instrument. A loan on the security of the whole of the beneficial interest in a land trust shall be deemed to satisfy the requirements of this paragraph if the title to the land is held by a corporate trustee and if the real estate held in the land trust meets the other requirements of this subsection.

(c) For the purpose of repair, improvement,

rehabilitation, or equipment of real estate. However, any such loans which are not secured, guaranteed, or insured, as provided in this section, (1) shall be limited to \$5,000 each, exclusive of legal and financing charges; (2) shall be repayable over a period of 5 years or less, in substantially equal installments not less frequent than semi-annual; and (3) shall not be made if the resulting aggregate unpaid balances of all of such loans would exceed 20% of the association's total assets;

(d) Through the purchase of loans which at the time of purchase the association could make in accordance with the provisions of this section and by-laws;

(e) Through the purchase of installment contracts for the sale of real estate, and title thereto which is subject to such contracts, but in each instance only if the association at the time of purchase could make a mortgage loan of the same amount and for the same length of time on the security of such real estate;

(f) Through loans guaranteed or insured, wholly or in part by the United States or any of its instrumentalities, and without regard to the limits in amount and terms otherwise imposed by this Article;

(g) On the security of any of the above authorized investments. (As amended by act approved July 16, 1963.)

Sec. 5-2. Other Investments.) If the board of directors determines at any time that funds are available in excess of the demands and needs of members for loans, maturities and withdrawals, an association may invest such funds as specified in Section 5-2.1 to 5-2.10, inclusive. (As amended by act approved August 14, 1961.)

Sec. 5-2.1. Subject to Section 5-2, an association may invest in withdrawable capital of any state or Federal Association which is a member of an insurance corporation as defined in this Act. (As amended by act approved August 14, 1961.)

Sec. 5-2.2. Subject to Section 5-2, an association may invest in participating interests in mortgage loans of a type which the association would be authorized to make, if the other participants are associations or corporations insured by an instrumentality of the United States, or are instrumentalities of or corporations owned wholly or in part by the United States or this State. (As amended by act approved August 14, 1961.)

Sec. 5-2.3. Subject to Section 5-2, an association may invest in obligations of or fully guaranteed by the United States; in stocks or obligations of Federal Home Loan Banks; in stocks or obligations of the Federal National Mortgage Association. (As amended by act approved August 14, 1961.)

Sec. 5-2.4. Subject to Section 5-2, an association may invest in bonds or other direct obligations of or guaranteed as to principal and interest by this State. (As amended by act approved August 14, 1961.)

Sec. 5-2.5. Subject to Section 5-2, an association may invest in obligations which by the laws of this State are made legal investments for savings and

loan associations. (As amended by act approved August 14, 1961.)

Sec. 5-2.6. Subject to Section 5-2, an association may invest in bonds or other evidences of indebtedness which are direct general obligations of any county, city, town, village, school district, sanitary district, park district, or other political subdivision or municipal corporation of this State, or in bonds or other evidences of indebtedness which are payable from revenues or earnings specifically pledged therefor of the county or an adjoining county or a political subdivision or municipal corporation of the county in which the business office of the association is located or an adjoining county, but in no event shall the total amount of such securities of any one maker or obligor exceed 2% of the association's total assets nor shall the aggregate amount of investments under this Section exceed 15% of such total assets. (As amended by act approved August 14, 1961.)

Sec. 5-2.7. With the approval of the Director and subject to Section 5-2, an association may invest in the initial purchase and development, or the purchase or commitment to purchase after completion, of home sites and housing for sale or rental, including (without being limited to) projects for the reconstruction, rehabilitation, or rebuilding of residential properties to meet the minimum standards of health and occupancy prescribed by appropriate local authorities, and the provision of accommodations for retail stores, shops, and other community services which are reasonably incident to such housing projects; or in the shares of a corporation which owns one or more of such projects and which is wholly owned by one or more financial institutions whose investments are regulated by the laws of this State or of the United States. The association's aggregate investment under this Section shall not exceed 10% of its total assets, and no association shall make an investment of this type unless it has reserves and undivided profits, or permanent reserve capital, totaling at least 5% of the aggregate withdrawal value of the association's withdrawable capital. The Director shall approve the investment only if the association shows:

(1) That the association has adequate assets available for such an investment; and

(2) That the proposed investment does not exceed the reasonable normal value of the property or interest therein; and

(3) That there is a reasonable probability of such investment being profitable; and

(4) That unless the proposed project meets the requirements of paragraph (5) of this Section, the proposed project does not include the construction of dwellings designed for occupancy by 4 families or less; except that in the event the home sites or any portion of a project are not sold within a reasonable time after same have been made available for sale (such period of time to be determined upon application to the Director) such project or portion thereof may be further developed as hereinabove provided; and

(5) That the proposed project is to be located in an area, including any contiguous area

acquired incidental thereto, determined by the Director to be an urban renewal, redevelopment, blighted, conservation area, or any other similar area provided for by the laws of the United States, the State of Illinois or local ordinances for slum clearance, conservation, blighted area redevelopment, urban renewal, or of a similar nature or purpose and in the event of such determination by the Director, the provisions of paragraph (4) of this Section shall not be applicable; and

(6) That all other requirements of this Section have been met.

Nothing herein contained shall prohibit an association from developing or building on land acquired by it under any other provision of this Act, nor shall an association be prohibited from completing the construction of buildings pursuant to any construction loan contract where the borrower has failed to comply with the terms of such contract; nor shall any amendment to this Section have a retroactive effect upon any project initiated prior to July 23, 1959, as evidenced by any contract, option, or application to the Director in accordance with the terms of this Section prior to July 23, 1959, nor to any revision or change in the terms of such application requested by the Director prior to his approval. (As amended by act approved August 14, 1961.)

Section 5-2.8. Subject to Section 5-2, an association may invest in marketable investment securities, but in no event shall the total amount of such securities of any one maker or obligor exceed 2% of the association's total assets, nor shall the aggregate amount of investments under this Section exceed 15% of such total assets. As used in this Section, the term "marketable investment securities" does not include stocks, but means marketable obligations evidencing indebtedness of any person in the form of bonds, notes, or debentures commonly known as investment securities, and of a type customarily sold on recognized exchanges or traded over the counter. (As amended by act approved August 14, 1961.)

Section 5-2.9. Subject to Section 5-2, an association may invest in stocks or obligations of business development corporations chartered by this state or by the United States or an agency thereof, but in no event shall the aggregate amount of stock exceed $\frac{1}{2}\%$ of the aggregate withdrawal value of the association's withdrawable capital or \$250,000 whichever is less. (As amended by act approved August 14, 1961.)

Section 5-2.10. Subject to Section 5-2, an association may invest in obligations of urban renewal investment corporations chartered under the laws of this state, or the United States, or in certificates of beneficial interest of urban renewal investment trusts, but in no event shall the aggregate amount of such stock, obligations or beneficial interest certificates of any one maker exceed 2% of the association's total assets, nor shall the aggregate amount of investments under this section exceed 5% of such total assets. (As amended by act approved August 14, 1961.)

Section 5-3. Real Estate Encumbrances.)

(a) Real estate is encumbered within the meaning of this article unless the security instrument establishes a first lien upon such real estate.

(b) Real estate is not encumbered within such meaning merely by reason of the existence of (1) instruments reserving rights-of-way, sewer rights, or rights in wells; or (2) building restrictions or other restrictive covenants; or (3) a lease under which rents or profits are reserved by the owners; or (4) current taxes or assessments not yet payable; or (5) other encumbrances which, in accordance with sound lending practices in the locality, are not regarded as constituting defects in real estate titles.

(c) A loan may be made under this article on real estate which is subject to a prior lien or other encumbrance which is owned by or exists in favor of the association; or to a prior lien the full amount of which is deducted from the amount of the loan and retained by the association to pay such lien, or which is fully provided for in the closing of the loan transaction.

Section 5-4. Lending Plans.) The board of directors may specify the terms on which loans to members will be made, including (but not limited to) the following lending plans:

(a) **Direct Reduction of Principal:** Such plan shall provide for regular payments which will completely amortize the indebtedness, including principal, interest, or interest and premium, advances, and other charges authorized by this Act, with payments to be made in such amount or amounts and at such time or times as may be agreed upon. If the loan is to be repaid on the monthly direct reduction of principal plan, the balance shall be determined monthly, and interest or interest and premium may be charged on the preceding monthly balance at one-twelfth of the annual rate, and added to such balance, together with any advances made by the association; and from such total indebtedness, payments made by the borrower shall be deducted, and such payments shall be applied first to interest or interest and premium. If the loan is being repaid on a direct reduction plan with payments made less often than monthly, but at least semi-annually, interest or interest and premium shall be charged at one-twelfth of the annual rate multiplied by the number of the months elapsed since the date of the last payment; and interest or interest and premium on an advance made may be charged from the first day of the month during which the advance was made; or if the advance was made after the fifteenth day of the month, interest or interest and premium may be charged as of the first day of the succeeding month; but such interest or interest and premium shall not be compounded.

(b) **Share Accumulation Plan:** Such plan shall provide for the subscription to shares the matured value of which in even shares shall be not less than the amount of the loan. Interest shall be charged on such loan until the accumulation on the shares, consisting of payments and dividends less

charges, if any, authorized by this Act, shall equal the amount loaned, whereupon the shares shall be cancelled against the loan balance, and the loan shall be considered repaid. The plan may provide further for repayment through the application of shares, or cash and shares, as the board of directors may determine.

(c) **Gross Charge and Discount Plan:** Property improvement loans and loans the duration of which is 5 years or less, and the amount of each of which does not exceed \$5,000, exclusive of legal and financing charges, may be repaid under a gross charge or discount method, but in the event of repayment in full prior to maturity, the association shall make a rebate at a rate not less than 6% per annum of the amounts so paid in advance of their due dates if the financing charge applicable to the loan is in an amount equivalent to \$5.00 discount per \$100 original face amount of a one-year note, and if a greater or lesser charge has been taken, the rebate shall be at not less than a proportional rate.

(d) **Insured or Guaranteed Loans:** Loans insured or guaranteed wholly or in part by the United States or any instrumentality thereof may be made and repaid in accordance with the applicable Federal law and regulations.

(e) **Straight Mortgage Loans:** Loans of a type which may be made on an installment basis, also may be made and repaid without full amortization; but no such loan shall be made for a term exceeding 5 years, or in an amount exceeding 50% of the appraised value of the security, except that a loan may be made in an amount not exceeding 60% of such value if the term is not more than 3 years, or in an amount not exceeding 80% of such value if the term is not more than 18 months. Interest on such loans shall be payable not less often than semi-annually. No association shall make such straight mortgage loans if the resulting aggregate unpaid balances of all of such loans would exceed 15% of the association's total assets. (As amended by act approved July 16, 1963.)

Section 5-5. General Loan Contract Provisions.)

(a) Each loan, and any agreement for securing the same, shall be evidenced by one or more written instruments, consistent with sound lending practices in the locality; and whenever recording of such an agreement is necessary to establish priority over the claim of any third party, the agreement shall be recorded.

(b) The loan contract terms shall afford full protection to the association, and shall include, among other things, provision for:

(1) The payment of taxes, assessments, other governmental levies, maintenance and repairs, granting the association the right to make payments thereon or for any other item which, if unpaid, would create a lien prior to that of the loan contract;

(2) Adequate insurance to cover the usual risks on the property offered as security for the loan, and in such form, coverage, and amounts

and in such company or companies as the board of directors may approve;

(3) The right to prepay the loan in whole or in part at any time, but the association may require payment of not more than 6 months' advance interest on that part of the aggregate amount of all prepayments on a loan in one year, which exceeds 20% of the original principal amount of the loan.

(c) The loan contract may provide for:

(1) An assignment of rents;

(2) Life insurance to be assigned as additional collateral, in which event the association shall obtain a first lien upon the policy;

(3) A single premium to be paid in advance or deducted from the loan balance, but if the loan is written on the direct reduction of principal plan to amortize the indebtedness in more than 4 years and the premium exceeds 4% and the loan is repaid prior to the expiration of 4 years from the date of its making, the association shall refund one-fourth of the premium in excess of said 4% for each year of the said 4 years then unexpired;

(4) Additional or future advances to be made at the option of the parties up to a total amount stated in the recorded security instrument;

(5) Regular periodical payments together with a lump sum payment required to create a fund in the association to pay when due all taxes as of January 1 of each year when such taxes become a lien against the real estate security, assessments, insurance premiums, ground rents, and other current charges against the real estate security, and the application or crediting of such payments;

(6) Any other covenant or agreement which the association may deem necessary or which is customary in the locality.

(d) If any payment required to be made by the borrower to discharge the performance of any obligation under the loan contract, is not made, or if any fund created for such payment is insufficient to discharge the obligation completely, the association may advance the same and add the required amount to the unpaid balance of the loan as of the first day of the month during which such advance was made and the advance and interest thereon shall be secured by the security instrument.

(e) The first payment on any regular installment loan other than a construction loan, insured loan, or guaranteed loan, shall begin not later than 60 days after the advance of the loan. The first payment on a loan insured or guaranteed shall be upon terms acceptable to the insuring or guaranteeing agency. The first payment on a construction loan shall be not later than 12 months after the date of the first disbursement. (As amended by act approved July 16, 1963.)

Section 5-6. Extension and Modification Agreements.)

(a) When the balance of a loan being repaid under the direct reduction of principal plan does not exceed forty per cent (40%) of the value of the se-

curity therefor, and the loan has been reduced by periodical payments over a period of not less than three (3) years to the extent that the unpaid balance does not exceed fifty per cent (50%) of the amount originally secured, the board of directors may agree in writing with the borrower that for a period not to exceed three (3) years, no payments need be made on the unpaid principal amount of the loan; and the loan contract and the security instrument shall not be prejudiced by the making of such extension agreement, even if such an extension was not provided for in the loan contract. However, interest or interest and premium, taxes, assessments, insurance premiums, and other charges which the borrowing member is obligated to pay, shall be paid when due either to or for the benefit of the association. No such extension shall be granted at a time when the association has insufficient funds to pay all withdrawable capital accounts which have matured or have been listed for voluntary withdrawal.

(b) The association at any time may enter into a written agreement with the borrower to modify, in any manner not inconsistent with the provisions of this Act, the terms of a loan as to the amount, time, or method, of the payments to be made, the interest rate, and any other provision of the loan contract; and the loan contract and the security instrument shall not be prejudiced by the making of any such modification, even if such a modification was not provided for in the loan contract.

Section 5-7. Sale, Assignment, and Servicing of Loans and Contracts.)

(a) No association shall engage in the mortgage brokerage business; but any association may sell any loan or a participating interest in a loan at any time, in the usual and regular course of business, if the total amount of loans so sold by the association, including such sale, within the calendar year beginning January 1 immediately preceding the date of such sale, does not exceed 20% of the total amount of all loans held by the association at the beginning of such calendar year. All loans sold shall be sold without recourse. The Director may adjust the foregoing limitations upon the sale of loans, upon application showing an emergency need to pay withdrawals, or an emergency need for loans in the community or area of operation in which the association is located, such loans being in greater demand than the association currently is able to meet.

(b) An association may contract to service a loan or a participating interest in a loan originally made by the association and later sold, but such a contract shall conform to the pertinent regulations prescribed by the Director, and shall require sufficient compensation to reimburse the association for all expenses incurred under such contract.

(c) An association may sell and assign without recourse any master's certificate of sale, defaulted loan, or defaulted real estate contract, to any person eligible to purchase the same, for an amount not less than the fair cash market value

thereof. (As amended by act approved August 14, 1961.)

Section 5-8. Purchase of Real Estate at Forced Sale.) An association may purchase, at any sheriff's or other judicial sale, either public or private, any real estate upon which the association has any mortgage, lien, or other encumbrance, or in which the association has any other interest. The association thereafter may repair, improve, sell, convey, lease, mortgage, exchange, or otherwise dispose of, real estate so acquired, in the best interests of the association, without limitation.

Section 5-9. Purchase of Real Estate for Office and Rental Purposes.) An association may acquire and hold real estate in fee simple, or leaseholds on which a building or buildings exist or are to be erected, suitable for the transaction of the association's business, and from portions of which, not required for the association's own use, revenue may be derived; or may own all or part of the capital stock, shares, or interest in any corporation, association, or trust, engaged solely in holding all or part of such real estate. However, the amount so invested shall not exceed five per cent (5%) of the association's total assets, unless the Director, upon a proper showing shall approve a larger amount consistent with the needs of the association's business and its immediate future expansion. (As amended by act approved June 4, 1957.)

Section 5-10. Usury Laws Inapplicable.) By reason of the cooperative nature of associations operating under this Act, no interest, premium, or interest on such interest or premium, or charge, which may accrue to an association under the provisions of this Act, shall be deemed to be usurious; and the same may be collected in the same manner as other debts in accordance with the laws of this State.

Section 5-11. Prohibited Loans.) No loan shall be made to a majority permanent reserve shareholder, officer, or director of an association issuing permanent reserve shares, either for himself or as agent, or as partner of another, except upon real estate occupied by such shareholder, officer, or director as a homestead, or upon the security of withdrawable capital; nor shall any loan be made by an association to any corporation of which a majority of the stock is owned or controlled individually or collectively by any one or more of the directors, officers, or majority permanent reserve shareholders of such association. (As amended by act approved July 11, 1957.)

Section 5-12. Effect of Unauthorized Investments; Liability of Officers.)

(a) Every loan or other investment made in violation of this Act shall be due and payable according to its terms, and the obligation thereof shall not be impaired.

(b) Every director or officer of an association who knowingly shall violate, participate in, or assent to, or who knowingly shall permit any of the officers or agents of the association to make, investments not authorized by this Act, shall be liable individually for all damage which the association or

its members sustain in consequence of such violation.

Section 5-13. Appraisals.)

(a) Every appraisal or reappraisal of property which an association is required to make shall be made as follows:

(1) By an independent qualified appraiser designated by the board of directors; or

(2) By the association's appraisal committee appointed by the board of directors; or

(3) In the case of an insured or guaranteed loan, by any appraiser appointed by any lending, insuring, or guaranteeing agency of the United States or the State of Illinois, which shall insure or guarantee such loan, wholly or in part.

(b) Each appraisal shall be in writing with a certificate signed by the appraiser or appraisers, stating that he or they have personally examined the described property, setting forth the value of the land, and the nature and value of the improvements, if any; which appraisal shall be filed and preserved by the association.

Section 5-14. Acknowledgments.) No acknowledgment of a deed, mortgage, or other instrument shall be invalid because such acknowledgment was taken before an officer authorized by the laws of this State to acknowledge conveyances, who is also a member, director, employee, or officer of an association which is a party to such deed, mortgage, or other instrument.

ARTICLE 6—Voluntary Corporate Changes.

Section 6-1. Amendment of Articles of Incorporation.) An association may amend its articles of incorporation from time to time, in accordance with the procedure prescribed in this article; but the articles, as amended, shall conform to all legal requirements which pertain to original articles adopted at the time of such amendment. Any number of amendments may be submitted to the members, and voted upon by them, at one meeting.

Section 6-2. Procedure to Amend Articles of Incorporation.) The procedure to effect an amendment of articles of incorporation shall be as follows:

(a) The board of directors shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of the members, which may be an annual or a special meeting.

(b) The proposed amendment, or a summary of the changes to be effected thereby, shall be set forth in the notice of meeting mailed as prescribed in the section of this Act concerning Members' Meetings.

(c) The proposed amendment will be adopted upon receiving, in the affirmative, two-thirds or more of the total number of votes which all members of the association are entitled to cast, except that an amendment effecting a retirement of all permanent reserve capital must receive the vote specified in the section of this Act concerning Retirement or Reduction of Permanent Reserve Capital. A report of proceedings, verified by the president or a vice-president and attested by the secretary and

setting forth the notice given and time of mailing thereof, the amendment adopted, the vote thereon, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed promptly with the Director.

(d) Each adopted amendment shall be subject to the same inquiry by the Director as the corresponding provision in original articles of incorporation, including (but not limited to) the availability of a proposed new name of the association. If the Director approves an amendment, he shall issue to the association a certificate setting forth the amendment and his approval thereof. The amendment shall become effective when such certificate is recorded in the same manner as the association's articles of incorporation.

(e) No amendment of articles of incorporation shall affect any existing cause of action either in favor of or against the association, or any pending action in which the association shall be a party, or the existing rights of persons other than members of the association; and if the amendment has changed the name of the association, no action brought by or against the association under its former name shall be abated for that reason. (As amended by act approved July 24, 1959.)

Section 6-3. Existing Associations — Adoption of Articles and By-laws.) Any existing association the by-laws of which contain provisions enumerated in the section of this Act concerning Contents of Articles of Incorporation, at an annual or special meeting may amend its present charter, articles of incorporation, certificate of complete organization, or other instruments concerning organization, by adopting articles of incorporation containing the provisions enumerated in said section. Such adoption shall repeal the existing by-laws of the association without further action, and the board of directors shall adopt new by-laws in accordance with the provisions of this Act. The procedure to be followed in adopting or amending articles of incorporation shall be that prescribed in the preceding section.

Section 6-4. Merger — Adoption of Plan.) Any two or more associations operating under this Act or under Federal charter and located in this State may merge into one association operating under this Act. The board of directors of each merging association, by resolution adopted by a majority vote of all members of such board, must approve the plan of merger, which shall set forth:

(a) The name of each of the merging associations, and the name of the continuing association and the location of its business office;

(b) The amount of capital, reserves, and undivided profits of the continuing association, and the kinds of shares and other types of capital to be issued thereby;

(c) The articles of incorporation of the continuing association;

(d) A detailed pro forma financial statement of the assets and liabilities of the continuing association;

(e) The manner and basis of converting the capital of each merging association into capital of the continuing association;

(f) The other terms and conditions of the merger and the method of effectuating the same;

(g) Such other provisions with respect to the merger as appear necessary or desirable, or as the Director may reasonably require to enable him to discharge his duties with respect to such merger. (As amended by act approved June 4, 1957.)

Section 6-5 Merger—Approval by Director.)

(a) The plan of merger adopted as aforesaid shall be submitted to the Director for approval, together with a certified copy of the authorizing resolution of each board of directors, showing approval by a majority of the entire board of each merging association operating under this Act and evidence of proper action by the board of any merging Federal association.

(b) The Director may make or cause to be made an examination of the affairs of each of the merging associations.

(c) The Director shall approve the plan of merger if, after appropriate inquiry into the affairs of each of the merging associations, he finds that:

(1) The continuing association meets the requirements of this Act as to the organization of a new association;

(2) The plan provides an adequate capital structure;

(3) The plan is fair to all persons affected; and

(4) The plan meets the approval of the insurance corporation, if such approval is required.

(d) If the Director disapproves the plan of merger, he shall state his objections in writing and give the merging associations an opportunity to amend the plan of merger, to obviate such objections. (As amended by act approved June 4, 1957.)

Section 6-6. Merger—Approval by Members.)

After approval by the Director, the plan of merger shall be submitted to a vote of the members of each merging association. Each meeting of the members of an association operating under this Act shall be called and held in accordance with the section of this Act concerning Members' Meetings. The plan will be approved by the members of an association if the plan receives, in the affirmative, $\frac{2}{3}$ or more of the total number of votes which all members of the association are entitled to cast. Each meeting of a Federal association shall be called and held, and the required majority must be obtained, in accordance with the applicable Federal law and regulations. (As amended by Act approved July 9, 1959.)

Section 6-7 Merger—Director's Certificate; Effective Date.)

(a) A report of proceedings at the meeting of the members of each association, certified by the president or a vice-president and attested by the secretary thereof, and setting forth the notice given and time of mailing thereof, the vote on the plan of

merger, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed in duplicate with the Director, together with the plan of merger, duly executed by each merging association. The Director thereupon shall issue to the continuing association a certificate of merger, setting forth the name of each merging association and the name of the continuing association, and the articles of incorporation of the continuing association; and attaching thereto, as a part thereof, a copy of the report of proceedings filed as aforesaid by each merging association.

(b) The merger shall become effective upon the recording of the certificate of merger in the same manner as articles of incorporation, in each county in which the business office of any of the merging associations was located, and in the county in which the business office of the continuing association is located.

(c) When duly recorded as aforesaid, the certificate of merger shall be conclusive evidence, except against the State, of the merger and of the correctness and validity of all proceedings in connection with the merger. (As amended by act approved June 4, 1957.)

Section 6-8 Merger—Director's Expenses.) The expenses of any examination made by or at the direction of the Director in connection with a proposed merger shall be paid by the merging associations. (As amended by act approved June 4, 1957.)

Section 6-9. Effect of Merger.)

(a) The continuing association shall be considered the same business and corporate entity as each merging association, with all of the property, rights, powers, duties, and obligations of each merging association, except as otherwise provided by the articles of incorporation of the continuing association.

(b) All liabilities of each of the merging associations shall be liabilities of the continuing association; and all of the rights, franchises, and interests of each of the merging associations in and to every kind of property, real, personal or mixed, shall vest automatically in the continuing association, without any deed or other transfer.

(c) Any reference to a merging association in any writing, whether executed or effective before or after the merger, shall be deemed a reference to the continuing association, if not inconsistent with the other provisions of such writing.

(d) No pending action or other judicial proceeding to which any merging association is a party shall be abated or discontinued by reason of the merger, but may be prosecuted to final judgment, order or decree in the same manner as if the merger had not occurred.

Section 6-10. Sale of All Assets.) An association, in one transaction not in the usual and regular course of its business, may sell all or substantially all of its assets, with or without its name and goodwill, to another association or to a Federal association, in consideration of money, capital, or obligations of the purchasing association.

Section 6-11. Procedure to Effect Sale of All Assets.) The procedure to effect a sale authorized by the foregoing section shall be as follows:

(a) The board of directors shall adopt a resolution setting forth the terms of the proposed sale and directing the submission thereof to a vote at a meeting of the members, which may be an annual or special meeting.

(b) The said terms shall be set forth in the notice of meeting mailed as prescribed in the section of this Act concerning Members' Meetings.

(c) The proposed sale will be approved by the members upon receiving in the affirmative, two-thirds (2/3) or more of the total number of votes which all members of the association are entitled to cast. A proposal for the voluntary liquidation of the association shall be submitted to the members at the same meeting or at any adjournment thereof, or at any later meeting called for such purpose, in accordance with the article of this Act concerning Voluntary Liquidation. A report of proceedings, certified by the president or a vice-president and attested by the secretary, and setting forth the terms of the proposed sale, the notice given and time of mailing thereof, the vote on the proposal, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed with the Director.

(d) If the Director finds that the proposed sale is fair to all holders of capital, creditors, and other persons concerned, and provision has been made for the disposition of the remaining assets, if any, of the association as provided in this Act for reorganization or voluntary liquidation, then he shall issue to the association a certificate of authorization for such sale, attaching thereto, as a part thereof, a copy of the report of proceedings filed as aforesaid.

(e) Upon recording said Director's certificate in the same manner as the association's articles of incorporation, the association may complete the sale so authorized; except that an insured association first shall obtain the approval of the insurance corporation.

(f) If the sale includes the name of the association, the purchasing association shall have the exclusive right to such name for a period of five (5) years.

(g) If the association has failed to adopt a plan of voluntary liquidation, the Director may proceed against such association as provided in the article of this Act concerning Involuntary Liquidation. (As amended by act approved June 4, 1957.)

Section 6-12. Conversion from State to Federal Association.) Any association operating under this Act may become a Federal association pursuant to the laws and regulations of the United States and in accordance with the following procedure:

(a) The board of directors shall approve a plan of conversion by resolution adopted by majority vote of all of the directors. The plan shall set forth, among other terms:

(1) A financial statement of the association as of the last business day of the month pre-

ceding the adoption of the plan;

(2) The disposition of withdrawable capital and permanent reserve capital, if any;

(3) Adjustments, if any, in the value of the withdrawable accounts when exchanged for comparable accounts in the Federal association;

(4) The disposition of any segregated surplus established under the provisions of the section of this Act concerning Permanent Reserve Shares—Rights of Existing Shareholders;

(5) The disposition of any obligations, or liabilities.

Such plan and resolution shall be submitted to the Director at least 15 days prior to the members' meeting at which action of members is to be taken.

(b) If the plan of conversion provides for (1) no adjustment in the withdrawable capital accounts of members; and (2) all obligations and liabilities to be assumed by the Federal association, then the Director's approval of the plan of conversion shall not be required.

(c) If the plan of conversion adjusts values of any type of capital, or if the association has a segregated surplus, such plan of conversion shall be subject to the approval of the Director. Approval shall be given in such case if the Director finds that the plan is equitable and protects the rights of all persons affected, including such contingent interests as theretofore may have been created in the segregated surplus, if any.

(d) After receipt of such approval from the Director, if required, the plan of conversion may be submitted at an annual or special meeting of the members. The plan will be adopted upon receiving, in the affirmative, two-thirds or more of the total number of votes which all members of the association are entitled to cast. A report of proceedings at such meeting, certified by the president or a vice-president and attested by the secretary, shall be filed promptly with the Director.

(e) Within 90 days after the date of such meeting, the association shall take the action prescribed and authorized by the laws and regulations of the United States to complete its conversion to a Federal association.

(f) Upon receipt of a Federal charter, the association shall file promptly with the Director either a copy of said charter or a certificate of the appropriate Federal officers setting forth the facts concerning the issuance of such charter; and upon recording said charter in the same manner as the association's articles of incorporation, the association shall cease to be an association operating under this Act. (As amended by act approved July 24, 1959.)

Section 6-13. Conversion from Federal to State Association.) Any Federal association may become an association operating under this Act, pursuant to the laws and regulations of the United States and in accordance with the following procedure:

(a) The board of directors shall adopt a plan

of conversion, which shall set forth, among other terms, the provisions required in Sub-section (a) of the preceding section of this Act. Such plan and resolution shall be submitted to the Director.

(b) If the Director, after appropriate examination, shall find that the association complies sufficiently with the requirements of this Act to entitle it to become an association operating under this Act, he shall approve the plan of conversion. However, he may prescribe terms and conditions, to be fulfilled either prior to or after the conversion, to cause the association to conform with the requirements of this Act.

(c) After receipt of the Director's approval, the plan of conversion may be submitted at an annual or special meeting of the members; and the plan will be adopted upon receiving, in the affirmative, two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast. Thereupon, such action shall be taken to adopt articles of incorporation, to elect directors, to adopt by-laws, and to elect officers, as is prescribed for a new association in the article of this Act concerning Incorporation and Organization. A report of proceedings at such meeting, certified by the president or a vice-president and attested by the secretary, shall be filed promptly with the Director.

(d) If the Director finds that such proceedings have been in accordance with the provisions of this section, he shall issue a certificate of conversion, setting forth the articles of incorporation and attaching, as a part of the certificate, a copy of the report of proceedings filed as aforesaid.

(e) The conversion shall become effective upon the recording of the certificate of conversion in the manner required by this Act for the recording of articles of incorporation. (As amended by act approved June 4, 1957.)

Section 6-14. Effect of Conversion.) When an association effects a conversion in accordance with either of the two preceding sections, the corporate existence of such association shall not be interrupted; but the identity of the association shall continue, together with all of the obligations and liabilities of the association; and all of its rights, franchises, and interests in and to every kind of property, real, personal or mixed, shall continue without the necessity of a deed or other transfer. Any reference to the association before conversion, contained in any writing, whether executed or effective before or after the conversion, shall be deemed a reference also to the association after conversion, if not inconsistent with the other provisions of such writing. No pending action or other judicial proceeding to which the association is a party shall be abated or discontinued by reason of such conversion, but the same may be prosecuted to final judgment, order, or decree in the same manner as if such conversion had not occurred.

ARTICLE 7—Supervision.

Section 7-1. Director's Regulations.) The Director shall have the power to establish such regulations

as may be reasonable or necessary to accomplish the purposes and provisions of this Act. (As amended by act approved June 4, 1957.)

Section 7-2. Examination.)

(a) The Director, at least once in each year, without previous notice, shall cause an examination to be made of the affairs of every association. Such examination shall be made by competent examiners appointed for that purpose, who are not officers or agents of, or in any manner interested in, any association which they examine, except that they may be holders of withdrawable capital.

(b) The officers, agents, or directors of any such association shall cause the books of the association to be opened for inspection by the Director or his examiners and otherwise assist in such examination when requested; and for the purpose of examination, the examiner in charge thereof shall have power to administer oaths and to examine under oath any officers, employees, agents, or directors of such association relative to the business of the association.

(c) The Director shall make a report of each examination to the board of directors of the association examined, and if the affairs of the association are not being conducted in accordance with this Act, he may require the directors, officers, or employees to take any necessary corrective action. In the interests of the members of the association, the Director may prepare a statement of the condition of the association, and may mail the same to the members or may require a single publication thereof. (As amended by act approved June 4, 1957.)

Section 7-3. Audit by Public Accountant.) The Director may approve in writing the appointment by the board of directors of a licensed public accountant to audit the books of the association at least once in each year, without previous notice; and the Director may prescribe the scope of such audit within generally accepted auditing principles, and may require the filing of a copy of such audit with the Director. (As amended by act approved June 4, 1957.)

Section 7-4. Reports to Director and Members.)

(a) Every association operating under this Act shall file with the Director within sixty (60) days following the close of each fiscal year of such association, a statement showing its financial condition at the close of the fiscal year and its operations for the year then ended. Each such statement shall be on forms prescribed by the Director and in conformity with generally accepted accounting principles, and shall be verified by the secretary and certified by (1) a committee of three or more members who are not officers of the association; or (2) a licensed public accountant appointed by the board of directors; or (3) two officers of the association, if a licensed public accountant has been appointed to audit the books and records of the association as provided in the preceding section of this Act.

(b) Every association shall file also such other reports as the Director may require from time to time.

(c) Within sixty (60) days after the date of

such statement, the association either shall mail to each member the annual statement of condition, or a condensed form thereof approved by the Director, or shall publish the same at least once. (As amended by act approved June 4, 1957.)

Section 7-5. Director's Report to the Governor.) The Director shall prepare and transmit to the Governor of this State a condensed annual report of the financial condition of all associations operating under this Act, and may cause a copy of such report to be printed and circulated. (As amended by act approved June 4, 1957.)

Section 7-6. Information to Federal Authorities.) The Director may give copies of reports of his examinations of an association, and copies of the association's reports to him, and any other information which he has concerning the association, to the Federal Home Loan Bank (or its successor instrumentality) of which the association is a member, or to the insurance corporation which has insured the association's capital; but no such action by the Director shall relieve the association from compliance with any requirements of such Federal institution concerning examinations or reports, or limit the Director's powers to examine or to require reports from the association. (As amended by act approved June 4, 1957.)

Section 7-7. Procedure Upon the Impairment of Permanent Reserve Capital.) If the Director finds, from a report or examination of an association, that the permanent reserve capital is impaired, he shall direct whichever of the following procedures is appropriate:

(a) The board of directors either (1) shall require the permanent reserve shareholders to contribute an amount at least sufficient to eliminate the impairment; or (2) shall reduce the par value of the permanent reserve capital in at least the amount of the impairment and allocate such reduction to undivided profits or reserves to absorb the loss which created the impairment.

(b) If such impairment causes the book value of the permanent reserve capital to be less than the amount of minimum initial permanent reserve capital which the association, if it were being newly authorized to issue such capital, would be required to issue under the provisions of the section of this Act concerning Permanent Reserve Shares—Authorization of Issuance; Minimum Amount, then the board of directors shall require the permanent reserve shareholders to contribute the amount necessary to make up the difference. If any permanent reserve shareholder, within 30 days after notice to contribute has been mailed to him, shall neglect or refuse to pay his proportionate contribution, the board of directors shall cause a sufficient amount of such holder's permanent reserve shares to be sold at public auction. Not less than 20 days before the date of such sale, notice thereof shall be posted in the business office of the association, and shall be published. Any proceeds of such sale in excess of such proportionate contribution shall be returned to the shareholder. (As amended by act approved July 24, 1959.)

Section 7-8. Director's Authority to Take Custody.) The Director in his discretion may take custody of the books, records and assets of every kind and character of any association, trust, or association in liquidation, for any of the purposes herein-after enumerated, if it appears from reports made to the Director, or from examination made by or on behalf of the Director:

(a) That the directors, officers, trustees, or liquidators have neglected, failed or refused to take any action which the Director may deem necessary for the protection of the association or trust, or have impeded or obstructed an examination; or

(b) That the withdrawable capital of the association is impaired to the extent that the realizable value of its assets is insufficient to pay in full its creditors and holders of its withdrawable capital; or that its permanent reserve capital is impaired; or

(c) That the association is unable to continue operations; or

(d) That the business of the association, trust, or association in liquidation is being conducted in a fraudulent, illegal, or unsafe manner; or

(e) That the officers, employees, trustees, or liquidators have continued to assume duties or perform acts without giving bond as required by the provisions of this Act.

Unless the Director finds that an emergency exists which may result in loss to members or creditors and requires that he take custody immediately, he first shall give written notice to the directors, trustees, or liquidators specifying the conditions criticised and state a reasonable time within which correction may be made. (As amended by act approved July 24, 1959.)

Section 7-9. Purposes of Taking Custody.) The purposes of taking such custody of an association or trust may be examination; further examination; conserving of its assets; restoration of impaired capital; the making of any necessary or equitable adjustment deemed necessary by the Director under any plan of reorganization; or liquidation; or the maturing of the obligation of the insurance corporation. (As amended by act approved June 4, 1957.)

Section 7-10. Director's Powers During Custody.) During the period in which the Director has such custody, the Director has all powers which are necessary or appropriate to accomplish the purposes of taking custody, including (but not limited to) the authority:

(a) To operate the business of the association, except as limited by the other subsections of this section; exercising for that purpose all of the rights, powers, and privileges possessed by the officers and directors, liquidators, or trustees;

(b) To permit withdrawals to be made in accordance with the provisions of this Act in such proportionate amounts among holders of withdrawable capital as the Director considers advisable to safe-

guard the interests of all of the holders of withdrawable capital;

(c) To accept payments on withdrawable capital as provided in the section of this Act concerning Segregation of Collections During Custody;

(d) Without appointment of a receiver but upon order of a court of competent jurisdiction, or with the concurrence of at least two-thirds of the directors, to:

(1) Make investments, as provided in Article 5 of this Act;

(2) Make and execute agreements with the insurance corporation or with any other financial institution for the payment or assumption of the association's liabilities in whole or in part;

(3) Borrow money, as provided in the section of this Act concerning Power to Borrow;

(4) Sell, convey, transfer, pledge, or assign assets as security or otherwise;

(5) Sell or compromise bad or doubtful debts of the association;

(6) Make or give guaranties appropriate to any of the transactions specified in this subsection (d);

(e) To call meetings of the members, directors, liquidators, or trustees to consider and act upon matters within their respective authority as provided in this Act; but without prejudice to the Director's powers conferred by this section. (As amended by act approved July 24, 1959.)

Section 7-11. Custody of Insured Associations.) If an association of which the Director takes custody under authority of this article is an insured association, the Director, in addition to powers conferred above, is authorized to:

(a) Forthwith notify the insurance corporation of such custody, his reasons therefor, and as soon as practicable, furnish the insurance corporation with a copy of the Director's report of examination and condition of the association.

(b) Permit the insurance corporation to submit any plan or proposal for the reorganization, merger, or liquidation of the association which it may deem feasible.

(c) Determine and declare the association to be in default, and to find from his examination and report the amount of the members' insured withdrawable capital, and to make any necessary orders, findings and determinations which may be required for the purpose of making the insurance available to the members. (As amended by act approved June 4, 1957.)

Section 7-12. Notice of Custody; Action to Enjoin.) Immediately upon taking custody of an association or trust, the Director shall mail a written notice thereof to the president or secretary and not less than 2 directors of such association, or to 2 or more of the trustees of any trust, or 2 or more of the liquidators of an association in liquidation. If the contention is made that the Director has no legal grounds for taking custody of the association or trust, the directors or officers of the association

or the trustees or liquidators thereof, as the case may be, at any time within 30 days after the mailing of such notice, or within such further periods of time as the Director may extend, but not to exceed an additional 60 days, may file a complaint in the Circuit Court of Sangamon County, Illinois or in the circuit or superior court of the county in which the association is located, to enjoin further custody. The court thereupon shall cite the Director to show cause why further custody should not be enjoined. If upon a hearing thereon, the court finds that such grounds did not or do not then exist, it may enter an appropriate order in accordance with the findings of fact, or an order enjoining the Director or any appointees acting under his direction from further custody. (As amended by act approved July 24, 1959.)

Section 7-13. Segregation of Collections During Custody.) All payments received on withdrawable capital on members' unpledged shares or accounts during custody of the association by the Director shall be segregated in a separate account until the association shall be redelivered to the directors or to trustees or liquidators or delivered to a receiver. Any member whose payments have been so segregated may request the return of such payments, and the Director shall repay the same without interest or dividends. Before delivery of the association or its assets to any liquidators or to a receiver, the Director shall return the money so collected from members and so segregated. (As amended by act approved June 4, 1957.)

Section 7-14. Redelivery of Possession.) If after examination of the association and consideration of all conditions affecting its affairs, the Director finds that the cause or causes for taking custody have been removed, he shall relinquish custody of the association and redeliver the same and all assets, books and records thereof to the directors of the association or to the trustees or liquidators qualified to accept the same. (As amended by act approved June 4, 1957.)

Section 7-15. Limitations Upon Custody.) The custody of an association by the Director may be continued for a reasonable period not to exceed six (6) months, unless further extension shall be agreed upon by a vote of two-thirds (2/3) of the directors of the association or upon application for such extension and by order entered in a court of competent jurisdiction. (As amended by act approved June 4, 1957.)

Section 7-16. Expenses and Fees.)

(a) The reasonable expense of any examination or investigation or custody by the Director under any provision of this Act, shall be borne by the association or trust.

(b) Except as to fees which are fixed by this Act, the Director by regulation may prescribe reasonable fees for filing reports and other documents, furnishing transcripts, holding hearings, applications for permits to organize and investigations thereof, and for the taking of any other action for which he incurs expense. (As amended by act approved July 9, 1959.)

Section 7-17. Advisory Board — Appointment.)

The Board of Savings and Loan Association Advisers shall be composed of five (5) persons who shall be appointed by the Governor. Each of such persons shall have been engaged actively in savings and loan management in this State for at least five (5) years immediately prior to his appointment, and three of them shall be appointed from a list of not less than eight (8) nominees submitted to the Governor for this purpose by the Illinois Savings and Loan League. Each of such persons shall serve without compensation, but shall be reimbursed for necessary expenses. Initially two of such persons shall be appointed to serve until the third Monday in January 1959 and three of such persons shall be appointed to serve until the third Monday in January 1961. As terms of appointment expire, successors shall be appointed for terms to expire the third Monday in January four years thereafter. All members of the Advisory Board shall serve until their respective successors are appointed and qualified. (As amended by act approved June 4, 1957.)

Section 7-18. Advisory Board—Organization and Meetings.) The Advisory Board shall elect a chairman, vice-chairman, and secretary; shall adopt regulations for the holding and conducting of meetings and for holding hearings concerning all matters within its powers; and shall keep a record of all meetings and transactions. Regular meetings shall be held as provided in the regulations, and special meetings may be called by the Director or upon the request of any three (3) members of the Board. (As amended by act approved June 4, 1957.)

Section 7-19. Advisory Board — Powers.) The Board shall have the following powers:

(a) To make recommendations to the Director or the authority responsible for chartering Federal associations, for the purpose of preventing unsound practices in the establishment of new associations proposed to be located in this State; or in any change of location which has the same effect upon other associations as the establishment of a new association.

(b) To make recommendations concerning insurance of withdrawable capital for the purpose of avoiding undue injury to associations in the same community by affording to all such associations an equal opportunity to apply for such insurance at the same time.

(c) To make recommendations on pertinent matters to the insurance corporation regarding the insurance of withdrawable accounts of associations operating under this Act.

(d) To make recommendations to the Director on matters within the scope of his authority concerning conversions or mergers under the sections of this act relating thereto.

(e) To make recommendations to the Director concerning such matters within the scope of his authority as he may refer to the Board for consideration.

(f) To advise the Governor and the Director upon appointments and employment of personnel in

connection with the supervision of savings and loan associations. (As amended by act approved June 4, 1957.)

Section 7-20. Proceedings on Objections to Director's Action.) Except as otherwise specifically provided by this Act, any person who deems himself aggrieved by any decision, order, or action of the Director may receive a hearing as provided in Sections 7-21 through 7-24 of this Act. (As amended by act approved July 24, 1959.)

Section 7-21. The Director may upon his own motion and shall upon the verified complaint in writing of any person setting forth facts which if proved would constitute grounds for reversal or change of any decision, order or action grant a hearing thereon. If the aggrieved party desires such a hearing, he shall, within 10 days of receipt of notice of such decision, order or action, file written notice with the Director of intent to demand a hearing and shall, within 30 days of receipt of notice of such decision, order or action, file his verified complaint in writing. The Director shall, at least 10 days prior to the date set for the hearing, notify in writing the person adversely affected by such decision, order or action, hereinafter called the respondent and all other parties to the action, that a hearing will be held on the date designated and shall afford the respondent and all other parties to the action an opportunity to be heard in person or by counsel in reference thereto. Such written notice may be served by delivery of the same personally to the respondent and all other parties to the action, or by mailing the same by registered or certified mail to the place of business last theretofore specified by the respondent and all other parties to the action in the last notification to the Director. At the time and place fixed in the notice, the Director or his authorized agent, hereafter referred to as the hearing officer, shall proceed to hear the charges and both the respondent and all other parties to the action and the complainant shall be accorded ample opportunity to present in person or by counsel such statements, testimony, evidence and argument as may be pertinent to the issues. The hearing officer may continue such hearing from time to time.

The hearing officer is authorized to subpoena any person in this State and to take testimony either orally or by deposition or by exhibit, with the same fees and mileage and in the same manner as prescribed by law in judicial procedure in civil cases in circuit courts of this State.

The hearing officer may administer oaths to witnesses at any hearing which the hearing officer is authorized by law to conduct.

Section 7-22. The Director, at his expense, unless otherwise provided in this Act, shall provide a stenographer to take down the testimony and preserve a record of all proceedings at the hearing. The notice of hearing, complaint and all other documents in the nature of pleadings and written motions filed in the proceedings, the transcript of testimony, the report of the hearing officer and orders of the Director shall be the record of such proceedings. The Director shall furnish a transcript of such record to

any person interested in such hearing upon payment of the actual cost thereof.

A copy of the hearing officer's report and the Director's orders shall be served upon the respondent and all other parties to the action by the Director, either personally or by registered or certified mail as provided in this Act for the service of the notice of hearing. (As amended by act approved August 14, 1961.)

Section 7-23. All subpoenas issued under the laws of this State pertaining to Savings and Loan Associations may be served by any person who is not a minor. The fees of witnesses for attendance and travel shall be the same as fees of witnesses before the Circuit Courts of this State, such fees to be paid at the time the witness is excused from further attendance, when the witness is subpoenaed at the instance of the Director or any officer or any employee designated by him for the purpose of conducting any such investigation, inquiry or hearing; and the disbursements made in the payment of such fees shall be audited and paid in the same manner as are other expenses of the Department of Financial Institutions. Whenever a subpoena is issued at the instance of a complainant, respondent or other party to any proceeding the Director may require that the cost of service thereof and the fee of the same shall be borne by the party at whose instance the witness is summoned, and the Director shall have power, in his discretion, to require a deposit to cover the cost of such service and witness fees and the payment of legal witness fees and mileage to the witness when served with subpoena. A subpoena issued as aforesaid shall be served in the same manner as a subpoena issued out of a court of record.

Any person who shall be served with a subpoena to appear and testify, or to produce books, papers, accounts or documents, either in person or by deposition, in the manner provided in this section, issued by the Director or by any officer, or any employee designated by him to conduct any such investigation, inquiry, or hearing, in the course of an investigation, inquiry or hearing conducted under any of the provisions of the laws of this State pertaining to Savings and Loan Associations, and who shall refuse or neglect to appear, or to testify, or to produce books, papers, accounts and documents relative to said investigation, inquiry or hearing as commanded in such subpoena, shall be guilty of a misdemeanor, and upon conviction thereof, shall be punishable by a fine of not more than \$200.00.

Any Circuit Court of this State, or any judge thereof, either in term time or in vacation, upon application of the Director, or an officer, or an employee designated by him for the purpose of conducting any such investigation, inquiry or hearing, may, in his discretion, compel the attendance of witnesses, the production of books, papers, accounts and documents, and the giving of testimony before the Department of Financial Institutions, or before any officer thereof, or any employee designated by it for the purpose of conducting any such investiga-

tion, inquiry or hearing, in person or by deposition, in the manner provided in this section, by an attachment for contempt or otherwise, in the same manner as production of evidence may be compelled before said court.

The Director or any officer, or any employee designated by him for the purpose of conducting any investigation, inquiry or hearing, or any party may, in any investigation, inquiry or hearing, cause the deposition of witnesses residing within or without the State to be taken in the manner prescribed by law for taking like depositions in chancery cases in courts of this State, and to that end may compel the attendance of witnesses and the production of papers, books, accounts and documents. (As amended by act approved August 22, 1961.)

Section 7-24. Any person affected by a final administrative decision of the Director pursuant to the provisions of this Act may have such decisions reviewed only under and in accordance with the "Administrative Review Act," approved May 8, 1945 if such person files within 10 days of receipt of service of a copy of the final decision sought to be reviewed a written notice with the Director of intent to seek review under said Administrative Review Act. The provisions of the "Administrative Review Act," and all amendments and modifications thereof, and the rules adopted pursuant thereto, shall apply to and govern all proceedings for the judicial review of final administrative decisions of the Director hereunder. The term "administrative decision" is defined as in Section 1 of said "Administrative Review Act".

Appeals from all final orders and judgments entered by court in review of any final administrative decision of the Director hereunder may be taken directly to the Supreme Court in accordance with the provisions of the "Civil Practice Act" relating to appeals, and all existing and future amendments and modifications thereof and the rules adopted thereto. (As amended by act approved August 14, 1961.)

ARTICLE 8—Reorganization.

Section 8-1. Authority to Reorganize.) An association may reorganize under the provisions of this article, by adjusting its capital without prejudicing or impairing the rights of any of its creditors; but an adjustment of capital which involves or is part of a proceeding to effect a merger, conversion, sale of all assets, or retirement or reduction of permanent reserve capital, shall be accomplished under the provisions of this Act relating to such other proceeding. (As amended by act approved July 11, 1957.)

Section 8-2. Decision as to Reorganization; Adoption of Plan.)

(a) At any annual or special meeting of the members, the members may vote to reorganize the association, and may adopt a plan of reorganization which has been approved by the board of directors, or proposed by one or more shareholders, or submitted by the Director; or may elect a committee of three (3) persons to prepare and submit a plan, and thereafter may adopt such plan. However, no plan except one submitted by the Director shall be adopted

unless it has been filed with the Director at least five (5) days before the vote of the members is taken thereon.

(b) A plan will be adopted upon receiving in the affirmative two-thirds (2/3) or more of the total number of votes which all members of the association are entitled to cast. (As amended by act approved June 4, 1957.)

Section 8-3. Plan of Reorganization.) The plan of reorganization shall set forth:

(a) A statement of the financial condition of the association duly certified by a licensed public accountant, or verified in such manner as may be required by the Director.

(b) The proposed adjustment of capital.

(c) Any proposed segregation of assets into a segregated trust, and provision for disposition of such trust.

(d) Any amendment to the articles of incorporation, which shall be submitted to the Director for approval and shall be effective as provided in the article of this Act concerning Corporate Changes.

(e) Provision for safeguarding the rights of creditors. (As amended by act approved June 4, 1957.)

Section 8-4. Election of New Directors; Report and Supervision.)

(a) Upon the adoption of the plan of reorganization, the offices of all directors and officers of the association shall be vacant, and the members shall proceed to elect directors to fill the vacancies. If the plan provides for the segregation of assets under a trust agreement, the members also shall elect (with cumulative voting permitted as in elections of directors) three or more trustees to manage such assets.

(b) A report of proceedings at the meetings of the members, certified by the president or a vice president and attested by the secretary, setting forth the notice given and time of mailing thereof, the vote on the plan of reorganization, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed in duplicate with the Director, together with the plan of reorganization. The Director thereupon shall issue to the association, and to the trustees if assets have been segregated as a part of the plan, a certificate of reorganization, and a certificate of amendment of the articles of incorporation if appropriate.

(c) The reorganization shall become effective upon the recording of the certificate of reorganization and the certificate of amendment of articles of incorporation, if any, in the manner required by this Act for the recording of articles of incorporation. (As amended by act approved June 4, 1957.)

Section 8-5. Trust Agreement and Procedure.)

(a) The segregated assets shall be disposed of in accordance with the terms of a trust agreement adopted by the board of directors and executed in triplicate by the appropriate officers of the association and the trustees.

(b) The trust agreement shall contain provisions for the full liquidation of the trust, (including but not limited to) powers, duties, and manner of

succession of trustees, and other provisions similar to those set forth with respect to liquidators in the section of this Act concerning Plan of Voluntary Liquidation. In addition thereto, the reorganized association shall furnish to the trustees a list of all shareholders whose shares are affected by such segregation of assets, giving their last known addresses and the book value of shares held and the reduction of such values upon reorganization and segregation of assets, so that the trustees may ascertain the relative interest of each shareholder in the trust so created. Such list shall be prima facie evidence of the share interests of all shareholders and no shareholder shall be entitled to a greater proportionate interest in the trust unless and until the trustees shall have agreed to a correction of the list or shall be ordered to do so by a court of competent jurisdiction.

(c) Three copies of the trust agreement shall be submitted to the Director together with a certified copy of the resolution of the board of directors adopting the agreement, and the bonds of the trustees in such amounts as shall be fixed by the board of directors and as provided by the section of this Act concerning Bonds of Officers and Employees.

(d) If the Director finds that the bonds are sufficient and the trust agreement will protect the beneficiaries of the trust, he shall attach his certificate of approval and forward one approved copy of the trust agreement to the trustees and another to the reorganized association.

(e) The trust shall become effective upon recording of the Director's certificate of approval and the trust agreement in the manner required by this Act for the recording of articles of incorporation; and the association thereupon shall be authorized to transfer the segregated assets to the trustees. (As amended by act approved June 4, 1957.)

Section 8-6. Disposition of Assets by Trustees; Liquidation.) The trust shall be subject at all times to the applicable provisions of the article pertaining to Voluntary Liquidation, and also shall be subject to supervision and examination by the Director. (As amended by act approved June 4, 1957.)

Section 8-7. Acceptance of Certificates of Beneficial Interest and Withdrawable Capital for Part Purchase Price of Assets.)

(a) The trustees may offer to accept the certificates of beneficial interest issued by them, or withdrawable capital of the association, to apply upon the purchase price of any assets, but only for such relative values as may be approved by the Director from time to time. If such offer is made, notice thereof by single publication or by mailing, stating the offer and the time, place, and terms of the sale, shall be given to all owners of such certificates prior to the sale.

(b) If a purchaser of segregated assets applies to the reorganized association for a loan on such assets, the association, in lieu of cash advancement on such loan, may issue and the trustees may accept at full value withdrawable capital of the reorganized association up to but not exceeding seventy-five per cent (75%) of the purchase price of

such assets. Such sale shall not be consummated until the balance of the purchase price shall have been paid in cash to the trustee. (As amended by act approved June 4, 1957.)

ARTICLE 9—Voluntary Liquidation.

Section 9-1. Authority to Liquidate.) An association may liquidate voluntarily in accordance with a plan of voluntary liquidation which has been adopted in the manner provided in this article.

Section 9-2. Decision as to Liquidation; Adoption of Plan.)

(a) At any annual or special meeting of the members, the members may vote to liquidate the association, and may adopt a plan of liquidation which has been approved by the board of directors, or proposed by one or more shareholders, or submitted by the Director; or may elect a committee of three (3) persons to prepare and submit a plan, and thereafter may adopt such plan. However, no plan except one submitted by the Director shall be adopted unless it has been filed with the Director at least five (5) days before the vote of the members is taken thereon.

(b) A plan will be adopted upon receiving in the affirmative two-thirds ($2/3$) or more of the total number of votes which all members of the association are entitled to cast. (As amended by act approved June 4, 1957.)

Section 9-3. Plan of Voluntary Liquidation.) The plan of voluntary liquidation shall provide for the full liquidation of the association, setting forth the powers, duties, manner of filling vacancies, and succession of the liquidators and authorizing them to:

(a) Advance funds of the association to preserve, protect, or purchase at any sale any asset in which the association has an interest.

(b) Sell, convey, lease, mortgage, or exchange any assets for other assets.

(c) Sell and dispose of any assets at public sale to the highest and best bidder or at private sale for the highest price obtainable.

(d) Accept withdrawable capital of the association to apply upon the purchase price of any assets, but only for such relative values as may be approved by the Director from time to time. Notice by single publication or by mailing, stating the time, place, and terms of the sale, shall be given to all holders of withdrawable capital prior to the sale.

(e) Pay out of the proceeds of liquidation all expenses and services necessary to the liquidation, and also compensation of the liquidators; but such compensation of the liquidators, exclusive of compensation for legal services and other specialized employment, shall not exceed in the aggregate three (3) per cent of the proceeds of liquidation. (As amended by act approved June 4, 1957.)

Section 9-4. Election of Liquidators, Report, and Supervision.) Upon adoption of a plan of voluntary liquidation, the members shall proceed to elect (with cumulative voting permitted as in elections of directors) not more than three (3) liquidators, who shall have full power to execute the plan; and the procedure thereafter shall be as follows:

(a) A report of proceedings at the meeting of members, certified by the presiding officer of the meeting and attested by the secretary of the meeting, and setting forth the notice given and time of mailing thereof, the vote on the plan of voluntary liquidation, the total number of votes which all members of the association were entitled to cast thereon, and the names of the liquidators elected, shall be filed in triplicate with the Director, together with the plan.

(b) If the Director finds that the plan and proceedings are in accordance with this Act, that the bonds of the liquidators are sufficient, and that the plan is not unfair to any person affected, he shall attach his certificate of approval to the plan and shall forward one copy to the liquidators, and in the case of an insured association, one copy to the insurance corporation.

(c) The plan shall become effective upon the recording of the Director's certificate of approval in the manner required by this Act for the recording of articles of incorporation.

(d) The liquidation of the association shall be subject to the supervision and examination of the Director. (As amended by act approved June 4, 1957.)

Section 9-5. Protection and Liquidation of Assets.) The liquidators are authorized to advance funds of the association and to take such other action as is advisable to preserve, protect, or purchase at any sale any real estate or other asset upon which the association may hold any lien or encumbrance or in which it may have an interest. The liquidators may sell, convey, lease, mortgage or exchange any assets so purchased or other assets; and in furtherance of the liquidation of the association, may sell and dispose of any of its assets at public sale to the highest and best bidder; or may sell any such assets at private sale for the highest price obtainable. No purchaser shall be required to ascertain the application of the purchase price.

Section 9-6. Notice to File Claims.) The liquidators shall fix a time for all persons having claims against the association, other than as members thereof, to present such claims, and shall cause notice to be published, requiring all persons to present the claims on or before such date, and within five (5) days after the first publication shall mail a copy of such notice to each person whose name appears on the association's records as having a claim. Each claim shall be in writing and verified by the claimant or a duly authorized agent. A claim may be presented at any time on or before the date fixed in the published notice, but any claim not so presented shall be barred. Upon the disallowance of any claim, the liquidators immediately shall notify the claimant of such fact, and the claimant may institute suit to establish such claim at any time before the final distribution.

Section 9-7. Claims of Members.) Whether a member files or does not file a claim with respect to an interest which he has as such member, the liquidators shall determine from the records of the as-

sociation the amount of such member's claim. Any such member may examine the association's records pertaining to his own claim. The records of the association shall be prima facie evidence of each such claim or interest, and no member shall be entitled to a greater claim or proportionate interest in the association unless and until the liquidators shall have agreed to a correction of the records pertaining to such claim or interest, or shall be ordered to correct such records by a court of competent jurisdiction. The liquidators shall require all members to present their certificates or account books, if any, for verification and endorsement upon payment of any liquidating dividend or distribution; and upon final distribution, such certificates or account books, if any, shall be surrendered to the liquidators.

Section 9-8. Payments and Distribution.) Claims having a preference in law shall be given preference in payment; except that no payment of less than ten dollars (\$10.00) need be made until final distribution. No distribution shall be made on claims for withdrawable capital until such preferred claims have been paid or provided for in full, or during the pendency of any suit unless sufficient funds are segregated to pay any judgment which may be rendered in such suit. Ratable payments and distributions on withdrawable capital may be made at any time after the time fixed for the presentment and allowance of claims has elapsed. Holders of permanent reserve capital, if any, shall participate in the liquidation of the remaining assets after payment or provision for payment has been made in full to all creditors, holders of withdrawable capital, and any claims which the holders may have in the balance of any segregated reserves. Final distribution shall be made in accordance with the next succeeding section of this article. (As amended by act approved July 11, 1957.)

Section 9-9. Final Distribution and Dissolution by Director.) When all assets have been liquidated and all claims and expenses have been paid, dissolution of the association shall be accomplished in the following manner:

(a) The liquidators shall file with the Director the duly verified final report of their acts and proposed final distribution.

(b) Upon the Director's approval of the final report, the liquidators shall publish notice of the proposed distribution, and shall allow any shareholder to examine the records of the association to ascertain his proper share of such distribution. Any shareholder who fails to commence, before the date fixed for final distribution, appropriate judicial proceedings to contest such distribution, shall be barred from contesting the same thereafter. The liquidators shall proceed to make final distribution on the date fixed therefor, except that such distribution shall be deferred until final disposition of any pending judicial action affecting the distribution, and payment of any judgment entered therein.

(c) When final distribution has been made, except as to any money due to but unclaimed by any

creditor, shareholder, or other person, the liquidators shall deposit such unclaimed money with the Director, for payment to the person or persons entitled thereto upon application and proof of right as provided by law.

(d) The liquidators also shall deliver to the Director all books of account and other records of the association, for preservation for at least two (2) years and destruction thereafter as provided by law.

(e) Upon completion of the foregoing procedure, the liquidators shall be discharged; the Director shall issue a certificate of dissolution of the association and shall record same in the manner required by this Act for the recording of articles of incorporation; and upon such recording, the dissolution shall be effective. (As amended by act approved June 4, 1957.)

ARTICLE 10—Involuntary Liquidation.

Section 10-1. Director to Appoint Receiver.) If the Director, after taking custody of an association under the section of this Act concerning Director's Authority to Take Custody, finds that any one or more of the reasons for taking custody continues to exist through the period of his custody, then he shall appoint any qualified person, firm or corporation as receiver or co-receiver of such association or trust for the purpose of liquidation. In the case of an insured association, he may appoint the insurance corporation or its nominee as such receiver or as a co-receiver; and the insurance corporation may be permitted to serve without bond. The receiver shall take possession of and title to the books, records, and assets of every description of the association or trust. (As amended by act approved June 4, 1957.)

Section 10-2. Filing of Complaint by Attorney General.) After so appointing a receiver, the Director shall direct the Attorney General to file a complaint in equity in the name of the Director in the circuit or superior court of the county in which such association or trust is located and against the association or trustees or liquidators, as the case may be, for the orderly liquidation and dissolution of the association or trust and for an injunction restraining the officers, directors, trustees, or liquidators, from continuing the operation of the association or trust. No complaint shall be filed nor shall other proceedings be commenced in any court for the dissolution or winding up of the affairs of the association or trust except in the name of and by authority of the Director represented by the Attorney General. (As amended by act approved June 4, 1957.)

Section 10-3. Receiver's Powers; Court Supervision.) Upon order of the court in which the Director's complaint for dissolution and winding up of the affairs of the association has been filed, the receiver shall have the power and shall be charged with the duties and responsibilities as follows:

(a) To sell and compound all bad or doubtful debts on such terms as the court shall direct;

(b) To sell the real and personal property of the association on such terms as the court shall direct;

(c) To petition the court for authority to borrow money to protect assets or to facilitate liquidation.

tion and distribution, and to pledge assets as security therefor, which petition shall be heard by the court upon such notice to all parties in interest as the court shall direct, and such loans may be obtained and assets pledged as security therefor upon such terms and conditions as may be deemed expedient and necessary;

(d) To make and carry out agreements with the insurance corporation or with any other financial institution for the payment or assumption of the association's liabilities, in whole or in part, and to sell, convey, transfer, pledge or assign assets as security or otherwise, and to make guaranties in connection therewith. (As amended by act approved June 4, 1957.)

Section 10-4. Expenses of Custody and Receivership.) All expenses incurred by reason of the examination, custody, and receivership, including compensation to such receiver, accountants, or clerical assistants, and reasonable solicitors' and attorneys' fees, approved by the Director or the court, shall be paid out of the assets of such association or trust. (As amended by act approved June 4, 1957.)

Section 10-5. Notice to Creditors.) The receiver shall cause notice to be published calling on all persons who may have claims against such association or trust to present the same to such receiver and to make legal proof thereof, and the said claims shall be presented to the court, and the allowance or disallowance of such claims by the court in connection with said proceedings shall be deemed an adjudication in a court of competent jurisdiction. After the expiration of the time specified in such publication, the receiver shall file with the Director and with the clerk of the court a correct list of all creditors and all members of the association or beneficiaries of the trust, as shown by the books and records, who have not presented their claims, and the amount of their respective claims, after allowing all just credits, deductions and setoffs as shown by the books and records. Such claims so filed shall be deemed proven, unless objections are filed thereto by any parties interested therein within such time as shall be fixed by the court and such notice of application for adjudication of such claims shall be given as the court may direct. (As amended by act approved June 4, 1957.)

Section 10-6. Distribution by Receiver.) Claims having a preference in law shall be given preference in payment; except that no payment of less than ten dollars (\$10.00) need be made until final distribution. No distribution shall be made on claims for capital until such preferred creditors have been paid or provided for in full, or during the pendency of any suit unless sufficient funds are segregated to pay any judgment which may be rendered in such suit. At any time after the expiration of the published claim date and from time to time, the receiver may make ratable distribution on all such claims as may have been proven to the satisfaction of the receiver, or adjudicated in a court of competent jurisdiction. Final distribution shall be made in accordance with the next succeeding section of this article.

Section 10-7. Final Distribution and Dissolution by Court.) When all assets have been liquidated and

all claims and expenses have been paid except for the final distribution, dissolution of the association shall be accomplished in the following manner:

(a) The receiver shall file with the court the final report of his acts and proposed final distribution.

(b) Upon the court's approval of the final report, the receiver shall give such notice, and thereafter shall make final distribution, in such manner as the court may direct.

(c) When final distribution has been made except as to any unclaimed money, the receiver shall deposit such unclaimed money with the Director and shall deliver to the Director all books of account and other records, in the manner and for the purpose prescribed in the section of this Act concerning Final Distribution and Dissolution by Director.

(d) Upon completion of the foregoing procedure, and upon the petition of the Director (represented by the Attorney General) and the receiver, the court may find that the association or trust should be dissolved; and after such publication of notice of dissolution as the court may direct, the court may enter a decree of dissolution. (As amended by act approved June 4, 1957.)

ARTICLE 11—Miscellaneous Provisions.

Section 11-1. Reservation of Powers to General Assembly.) The General Assembly shall have power to amend, repeal, or modify this Act, and such amendments or modifications shall be binding upon any and all associations operating under this Act.

Section 11-2. Applicability of Other Acts.) Whenever in any act the terms "savings and loan," "building and loan," "mutual building loan and homestead," "building loan and homestead," or other similiar name, are used with reference to associations organized for the purposes of associations incorporated under this Act, such reference shall be applicable to associations operating under this Act; and whenever in any act the terms "members," "shareholders," or "investors" are used in connection with such associations, however named, the same shall refer to members and holders of capital of associations operating under this Act.

Section 11-3. Separability.) If any provision, clause, or phrase of this Act or the application thereof to any person or circumstance, is held invalid, such invalidity shall not affect other provisions or applications of this Act which can be given effect without the invalid provisions or application, and to this end the provisions of this Act are declared to be separable.

Section 11-4. Repealer.) "An Act in relation to mutual building, loan and homestead associations," filed June 19, 1919, and all acts amendatory thereof, are hereby repealed.

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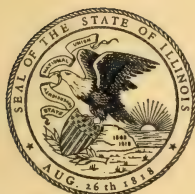
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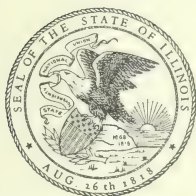
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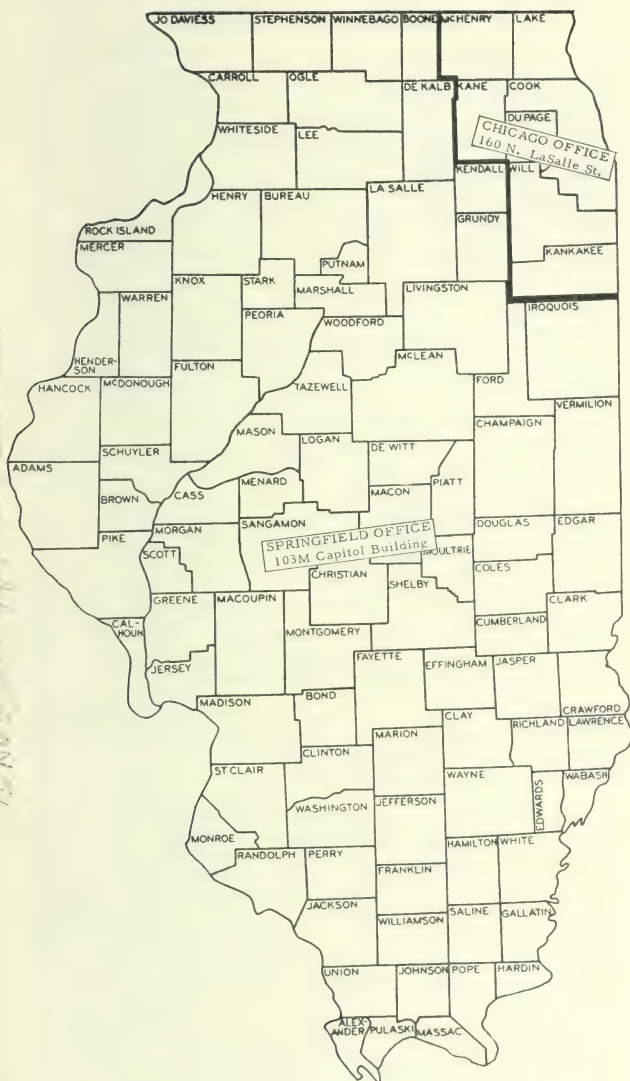


ILLINOIS SAVINGS AND LOAN ACT

1965 Edition

JUSTIN HULMAN, Commissioner

**Office of The Commissioner of
Savings and Loan Associations**



▲ To provide greater assistance in the administration and supervision of the Savings and Loan Associations, the Commissioner maintains both a Chicago office and Springfield office. Each office serves that part of the State indicated by the division of the State on the map above.

▲ Associations in the Chicago area should direct inquiries to the Commissioner of Savings and Loan Associations, 160 North LaSalle Street, Chicago 1, Illinois 60601. Telephone: Financial 6-2000, Ext. 2417.

▲ Associations in the Springfield area should direct inquiries to the Commissioner of Savings and Loan Associations, Capitol Building, Springfield, Illinois 62706. Telephone: 525-6941.

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ILLINOIS SAVINGS AND LOAN ACT

AN ACT to revise and codify the laws in relation to Savings and Loan Associations and to provide penalties for the violation thereof, and to repeal an Act therein named. Approved July 5, 1955.

ARTICLE 1—General Provisions

Section 1-1. Short Title.) This Act shall be known and may be cited as the "Illinois Savings and Loan Act".

Section 1-2. Policy of Act.) The General Assembly has found and declares:

(a) That the savings and loan business, otherwise known as the building, loan, and homestead business, which is within the scope of this Act, has so expanded in recent years, and has become so integrated with the financial institutions of this State and is so important as a method of promoting home ownership and thrift, that such business, to an even greater extent than heretofore, is affected with a public interest and should continue to be supervised as a business affecting the economic security and general welfare of the people of this State;

(b) That such business should be operated only by associations organized and conducted in accordance with the authority provided in this Act;

(c) That the number and minimum size of the associations conducting such business should be controlled in the interest of securely and efficiently serving the needs of the localities in which they operate;

(d) That the public interest requires the promotion and fostering of the savings and loan, or building, loan, and homestead business and the assurance of its financial stability;

(e) That in order to further the policies herein expressed, the provisions of this Act shall be liberally construed to promote and foster the purposes of savings and loan associations.

Section 1-3. Scope of Act; Application to Federal Associations.)

(a) This Act applies to all existing mutual building loan and homestead associations, savings and loan associations, savings associations, building and loan associations, and other similar associations by whatever name called, organized under this or any prior act; and to all foreign associations duly authorized to do business in this State.

(b) Unless Federal laws or regulations provide otherwise, Federal Associations and their members shall possess all of the rights, powers, privileges, immunities, and exemptions granted by this Act to associations operating hereunder and to the members thereof, or by any other Act or Section thereof, to such associations or members, whether or not specifically mentioned in the Section or Sections

granting such rights, powers, privileges, immunities and exemptions. (As amended by act approved August 14, 1961.)

Section 1-4. Effect on Existing Associations.)
With respect to any existing association:

(a) The by-laws, shares, and contracts of such association shall continue in full force and effect; but the association shall be operated in accordance with the provisions of this Act.

(b) If the association accepts the benefits of, or avails itself of the powers given by, this Act, the association shall be subject to the provisions and requirements of this Act in every particular, as if the association had been organized under this Act.

(c) That portion of the statement of incorporation, charter, or certificate of complete organization of an existing association, which corresponds to the contents of articles of incorporation, as defined in Section 2-8 of this Act, shall be deemed to be the articles of incorporation of such association; and that portion of its statement of incorporation, charter, and certificate of complete organization corresponding to the contents of by-laws, as defined in Section 2-9 of this Act, shall be deemed to be the by-laws of such existing association.

Section 1-5. Prohibitions.)

(a) No person or group of persons, except an association duly incorporated under this Act or a prior act, or a Federal association, or a foreign association duly authorized to do business in this State, shall transact business within the scope of this Act or do any business under any name or title, or circulate or use any advertising or make any representation or give any information to any person, which indicates or reasonably implies the operation of a business which is within the scope of this Act.

(b) A court of competent jurisdiction may issue an injunction to restrain any person from violating or continuing to violate any of the foregoing provisions of this section.

(c) Any person who violates any provision of this section shall be punished by a fine of not more than one thousand dollars (\$1,000.00).

Section 1-6. General Corporate Powers.) An association operating under this Act shall be a body corporate and politic and shall have all of the specific powers conferred by this Act in addition thereto, the following general powers:

(a) To sue and be sued, complain and defend in its corporate name; and to have a common seal, which it may alter or renew at pleasure;

(b) To obtain and maintain insurance of the association's withdrawable capital by an insurance corporation as defined in this Act;

(c) To become a member of the Federal Home Loan Bank, and to have all powers of such a member which are not inconsistent with the provisions of

this Act; and to have all powers granted to Federal savings and loan associations except as limited or prohibited by this Act, subject to regulations of the Commissioner wherever applicable;

(d) To act as a fiscal agent for the United States when duly designated for that purpose, and as such agent to perform such reasonable functions as may be required of it;

(e) To become a member of or deal with any corporation or agency of the United States or the State of Illinois, to the extent that such agency assists in furthering or facilitating the association's purposes or powers and to that end to purchase stock or securities thereof or deposit money therewith, and to comply with any other conditions of membership or credit;

(f) To make donations in reasonable amounts for the public welfare or for charitable, scientific, religious, or educational purposes;

(g) To adopt and operate reasonable insurance, bonus, and retirement plans for officers and employees;

(h) To reject any application for membership; to retire withdrawable capital by enforced retirement as provided in this Act and the by-laws; and to limit the issuance of or payments on withdrawable capital, subject however to contractual obligations. (As amended by act approved July 23, 1965.)

Section 1-7. Power to Borrow.)

(a) The board of directors may borrow money for the uses and purposes of the association, and may pledge, mortgage, or otherwise encumber any of its assets in connection therewith; but such borrowing shall not exceed fifty per cent (50%) of the aggregate withdrawal value of the association's withdrawable capital without prior approval of the Commissioner. A subsequent reduction of withdrawable capital shall not affect in any way outstanding obligations for borrowed money.

(b) A debt incurred by the association in violation of this section is not invalid or illegal as to the rights of the lender. (As amended by act approved July 23, 1965.)

Section 1-8. Incidental Powers.) An association also shall have any power conferred on a corporation by the Business Corporation Act, and any power not prohibited by law, which is reasonably incident to the accomplishment of the express powers conferred upon the association by this Act.

Section 1-9. Powers Not to be Exercised.)

(a) No association to which this Act applies shall accept or carry any demand, commercial or checking account.

(b) No association shall establish branches or offices at which savings or investments are regularly received or loans approved unless and to the

geographical extent branch powers and offices are granted to state banks under the "Illinois Banking Act", as amended, or as it may be amended or supplemented. (As amended by act approved July 16, 1963.)

Section 1-10. Definitions.) The following words and phrases have the following respective definitions for the purpose of this Act, except to the extent that any such word or phrase is specifically qualified by its context:

(a) "Savings and Loan Board": the Illinois Savings and Loan Board, as described in the article of this Act concerning Supervision.

(b) "Aggregate withdrawal value": the sum of all payments made on all withdrawable capital accounts of the association and all dividends, and bonuses credited or allocated to such accounts, and all dividends credited to "divided profits" for subsequent crediting to accounts upon maturity; less all withdrawals, retirements, and other proper deductions from accounts and all unpaid charges thereon.

(c) "Association": every association to which this Act applies, as defined in the section concerning Scope of Act.

(d) "Commissioner": The Commissioner of Savings and Loan Associations, or some person authorized by him to act in his stead.

(e) "Community": a city, village, or incorporated town in this State.

(f) "Continuing association": the association which continues to exist after a merger of associations has been effected.

(g) "Federal association": a savings and loan association or savings association operating under the laws and regulations of the United States.

(h) "Fiduciary": a trustee, executor, administrator, guardian, conservator, agent, receiver, trustee in bankruptcy, assignee for creditors, or any holder of a similar position of trust.

(i) "Impaired" or "impairment", with respect to capital: a condition in which the value of the association's assets is less than the aggregate amount of the association's liabilities to creditors, members, and the aggregate value of its withdrawable capital, and the aggregate par value of its permanent reserve capital.

(j) "Insurance corporation": The Federal Savings and Loan Insurance Corporation, or such other instrumentality of or corporation chartered by the United States as hereafter may be established for the purpose of insuring the withdrawable capital of savings and loan associations.

(k) "Insured association": an association the withdrawable capital of which is insured wholly or in part by an insurance corporation.

(l) "Merger": includes consolidation.

(m) "Merging association": an association which plans or effects a merger with one or more other association, in accordance with the provisions of this Act concerning merger.

(n) "Person": an individual, partnership, joint venture, trust, estate, unincorporated association, or corporation.

(o) "Prior act": any statute of this State which, prior to the effective date of this Act, has governed the formation and operation of associations of the type described in the section of this Act concerning Scope of Act.

(p) "Profits": as determined by application of proper accounting principles, gross income less the aggregate of operating and real estate expenses, losses actually sustained and not charged to reserves under the provision of this Act, interest paid or accrued on Borrowings and non-recurring charges.

(q) "Publication," "publish," or "published": printed in the American language in a newspaper of general circulation published in the community in which the association's business office is located, or if no such newspaper exists in said community, then in the county in which such business office is located. Unless otherwise specified in this Act, publication shall be made once each week for 3 successive weeks.

(r) "Mail" or "mailed," with respect to a writing or notice: deposit in a United State Post Office mailing facility, in this State, postage prepaid, correctly addressed to the proper person at his address stated on the association's records or otherwise agreed upon, or if no address has been so established, then to the last known address.

(s) "Total assets": the total value of all loan contracts without deduction for the withdrawal value of any capital accounts of the association held as collateral for loans, and the total value of all other assets of the association, as determined by the application of proper accounting principles.

(t) "Withdrawal value" of a capital account: the sum of all payments made by the holder on the account and all dividends, and bonuses credited or allocated to such account, less all withdrawals, retirements, and other proper deductions therefrom and all unpaid charges thereon. However, "withdrawal value" of a share account which is voluntarily withdrawn by the holder before maturity thereof, does not include any portion of the dividends which, pursuant to the by-laws, have not been credited directly to the account but have been credited to "divided profits" of the association, and which the association is entitled to retain by reason of such voluntary withdrawal; and does not include any portion of the bonus reserve which may be retained. (As amended by act approved July 23, 1965.)

ARTICLE 2—Incorporation and Organization.

Section 2-1. Applicants and Initial Capital.) Any five or more adult individuals, residents of this State, may apply for a permit to organize an association

under this Act. The minimum initial capital which an association must have shall be determined by the population of the community in which the association's business office is to be located, in accordance with the following table:

Population		Minimum Capital
More than	Not more than	
—	5,000	\$ 15,000
5,000	10,000	25,000
10,000	50,000	50,000
50,000	—	200,000

If the association's business office is to be located in an unincorporated area more than five miles from the limits of any community, then the required minimum capital shall be that for a community of five thousand (5,000) population or less; otherwise, the required capital shall be that of the community to which it is adjacent, or if near several communities, that of the community with the highest population classification in the above schedule. Minimum capital to be paid in may consist of withdrawable capital and permanent reserve capital as provided in this Act. If the capital of the association to be organized includes permanent reserve capital, the amount of minimum initial permanent reserve capital shall be not less than twenty-five thousand dollars (\$25,000), and not less than fifty thousand dollars (\$50,000) if the association is to be located in a county with more than five hundred thousand (500,000) population. (As amended by act approved July 11, 1957.)

Section 2-2. Application for Permit to Organize.) The application for a permit to organize an association shall be addressed to the Commissioner in such form as he shall provide; shall be in duplicate, personally signed by each applicant and acknowledged by each applicant in the manner provided for the acknowledgment of deeds. The applicants shall submit with their application statements, exhibits, maps, and other data, which data shall be sufficiently detailed and comprehensive to enable the Commissioner to pass upon the application. (As amended by act approved July 23, 1965.)

Section 2-3. Findings.) The applicants shall publish a notice of intention to organize in such form as the Commissioner shall prescribe. The Commissioner may cause an investigation to be made and consider such other information as may be submitted to him to determine his findings at any time prior to the issuance of a permit to organize. (As amended by act approved July 23, 1965.)

Section 2-4. Commissioner's Approval and Issuance of Permit to Organize.) The Commissioner shall not approve the application and issue a permit to organize unless he shall find:

(a) That a need exists for an association in the community or area of operation stated in the application;

(b) That the proposed capital meets the requirements of this Act;

(c) That the general character of the proposed management is such as to assure reasonable probability of the success of the association; and further to assure the success of the association the Commissioner may require as a condition in the permit that insurance of withdrawable capital shall be effective prior to the issuance of a Certificate of Complete Organization;

(d) That the name of the proposed association is not the same as, or deceptively similar to, the name of any other association in the community or area of operation; and no such name shall contain the words "guaranty", "Guarantee", "insured", or any other word the meaning of which might imply that the association is insured by the insurance corporation unless in fact such insurance or a commitment to insure has been obtained, and such prohibition shall likewise extend to an association amending its articles of incorporation to change its name;

(e) That such association can be established without undue injury to properly conducted existing associations. (As amended by act approved July 23, 1965.)

Section 2-5. Subscription to Capital and Temporary Organization.) Upon receipt of the permit to organize an association, the applicants shall constitute the organization committee and shall perfect a temporary organization by electing a chairman, vice-chairman, and a secretary, who shall act as the temporary officers of such association until their successors are duly elected and qualified. Such temporary officers thereupon shall proceed to:

(a) Secure subscriptions for the required amount of capital in form and manner approved by the Commissioner; and

(b) Call a meeting of subscribers, who shall adopt articles of incorporation and elect directors to serve until the first annual meeting of the association and until their successors are elected and qualified. (As amended by act approved July 23, 1965.)

Section 2-6. Completion of Organization.) The directors so elected shall proceed to:

(a) Organize as a board and qualify as directors;

(b) Adopt by-laws;

(c) Elect officers pursuant to the by-laws;

(d) Collect subscriptions to the required capital, but only after the persons designated to collect such subscriptions have been bonded as provided in this article;

(e) Take such other action as may be necessary to complete the organization;

(f) Report the completion of the organization to the Commissioner. Unless such report is made to the Commissioner within 12 months after the date of the permit to organize, or if applicable, 90 days

after the date of final determination of the original application for insurance of accounts including the time specified for compliance with Conditions of the insurance corporation as evidenced in writing by the insurance corporation, the permit shall be deemed revoked and any subscriptions collected shall be refunded. (As amended by act approved July 23, 1965.)

Section 2-7. Certificate of Complete Organization.) When the board of directors has organized as provided in this Act and the report of organization has been filed with the Commissioner, he shall make a thorough examination into the affairs of the association, and if he approves the articles of incorporation and is satisfied that all the requirements of this Act have been complied with, and that no intervening circumstance has occurred to change the Commissioner's findings made pursuant to this Act, upon payment to the Commissioner of the reasonable expenses of such examination as determined by the Commissioner, he shall issue a certificate of complete organization authorizing the association to commence business. Such certificate together with the articles of incorporation shall be recorded by filing the same for record in the office of the recorder of deeds in the county in which the association is located. Upon such recording the association shall be fully organized and may commence to do business. Such certificate of complete organization and articles of incorporation, or duly certified copies of the recording thereof, shall be conclusive evidence except against the State that the association has complied properly with all requirements for organization, has been duly incorporated, and is authorized to do business under the provisions of this Act. (As amended by act approved July 23, 1965.)

Section 2-8. Contents of Articles of Incorporation.)

(a) The articles of incorporation shall set forth:

- (1) The name of the association.
- (2) The initial location of the business office.
- (3) The duration of existence, which is perpetual unless otherwise specified.
- (4) The number of directors, not less than five (5).
- (5) The authorization, if any, to issue withdrawable shares, the aggregate amount of which may be unlimited.
- (6) The authorization, if any, to issue permanent reserve shares, the aggregate number thereof, and the par value per share which shall not be less than one dollar (\$1.00).
- (7) The date of the annual meeting of the members which shall be not more than sixty (60) days after the close of the association's fiscal year.
- (8) The quorum required for action of members if a quorum other than that specified in this Act is desired.

(9) Any other provision, not inconsistent with law, which the subscribers or members may desire, for the internal regulation of the affairs of the association.

(b) The articles need not set forth any of the powers which this Act confers. (As amended by act approved July 11, 1957.)

Section 2-9. Contents of By-laws.)

(a) The by-laws of the association shall provide for the following matters consistent with any applicable provisions of this Act:

(1) The minimum frequency of directors' meetings, which shall be at least monthly.

(2) The titles and duties of the officers.

(3) The officers authorized, or who may be authorized, by the directors to execute instruments.

(4) A description of the corporate seal.

(5) The fiscal year of the association.

(6) The location of the business office.

(b) Such by-laws may provide also for any or all of the following matters, among others, consistent with any applicable provisions of this Act:

(1) The method of calling special meetings of the members; requirements for giving notice of meetings of members in addition to the notice prescribed by this Act; and methods of nominating directors and other voting and election procedures.

(2) The method of determining the record date for voting, dividend, and other purposes.

(3) The procedure for the transfer of ownership of capital and for the enforcement of charges and liens.

(4) The plan or plans under which withdrawable capital is to be issued; the classes into which it may be divided; and the characteristics of each class as to time of issuance, times and amounts of payments to be made, classification for dividends, purposes, and such other terms as are permitted by this Act.

(5) The method by which the directors may enforce retirement of unpledged withdrawable capital.

(6) The frequency with which profits of the association shall be apportioned and the methods of apportionment.

(7) Provision for establishment of executive, loan, investment, and appraisal committees, and such other special or standing committees as may be desirable.

(c) The Commissioner may publish one or more standard forms of by-laws conforming to the provisions of this Act which may be adopted by associations. (As amended by act approved July 23, 1965.)

ARTICLE 3—Membership and Management.

Section 3-1. Members.)

(a) The membership of an association consists of:

(1) Every holder of a share account, or of one or more withdrawable or permanent reserve shares, issued by the association; and

(2) Every borrower from the association, as long as his loan remains unpaid and he remains liable to the association for the payment thereof; and every obligor of an investment made by the association under the provisions of the section of this Act concerning Investments in Obligations of Members; each of which members shall be known as a borrowing member.

(b) Each joint ownership and each joint obligation shall constitute one membership. (As amended by act approved July 11, 1957.)

Section 3-2. Members' Meetings.)

(a) Each annual meeting of the members shall be held at the time specified in the articles of incorporation; but the failure to hold an annual meeting at the time so specified shall not work a forfeiture or dissolution of the association. The board of directors, or the holders of not less than twenty per cent (20%) of the outstanding permanent reserve shares or of the withdrawal value of all withdrawable capital of the association, or such other person or persons as may be designated by the by-laws, may call a special meeting of the members. Every annual or special meeting shall be held at the business office of the association, or, if the space therein available for such meeting is inadequate, in such other place within the same county as shall be specifically designated in the notice of such meeting. Notice of an annual meeting shall be published once not less than ten (10) days nor more than forty (40) days before the date of the meeting. However, for any special meeting, or for any annual meeting which is to consider any proposition the affirmative action on which requires a two-thirds vote as set forth in this Act, the notice shall be by mail. Published or mailed notice shall state the place, day, hour and purpose of the meeting.

(b) A quorum at any meeting of the members shall consist of the members present in person or represented by proxy, who are entitled to cast a majority of the total number of votes which all members of the association are entitled to cast at such meeting; except that the articles of incorporation may specify some other quorum requirement, but not less than one-third of such total number of votes. Any meeting, including one at which a quorum is not present, may be adjourned by majority vote to a specified date without further notice.

(c) Voting at a meeting may be either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

(d) In the determination of all questions requiring ascertainment of the members entitled to vote and of the number of outstanding shares, the following rules shall apply:

(1) The date of determination shall be as provided in the section of this Act concerning Record Date for Voting, Dividend and Other Purposes.

(2) Each person holding one or more withdrawable share accounts shall have the vote of one share for each one hundred dollars of the aggregate withdrawal value of such accounts, and shall have the vote of one share for any fraction of one hundred dollars.

(3) Each holder of permanent reserve shares shall have one vote for each permanent reserve share which he holds.

(4) Each borrowing member as such shall have the vote of one share in addition to any vote which he may have otherwise.

(5) Shares owned by the association shall not be counted or voted. (As amended by act approved July 11, 1957.)

Section 3-3. Record Date for Voting, Dividend and Other Purposes.) For the purpose of determining the holders of shares, capital accounts, and membership entitled to notice of or to vote at any meeting of the members, or in order to make a determination of the members, holders, or other persons for any other proper purpose, the by-laws may provide for a record date, not less than ten (10) days nor more than forty (40) days before the meeting, or other event or transaction with regard to which the determination is to be made; and such determination shall be made as of the close of business on such record date. If the by-laws do not provide for a record date, the board of directors may fix such a date for each such determination, within the time stated above; and if the board of directors shall fail to so fix a date, the record date for a meeting shall be the date on which the first notice of meeting is given. Shares or share accounts withdrawn or retired after such record date shall not be voted or counted in determining the number of shares outstanding. This section shall be applicable to the dividend payments on permanent reserve capital; but dividends on withdrawable capital shall be governed by the section of this Act concerning Dividends. (As amended by act approved July 11, 1957.)

Section 3-4. Directors.) The business and affairs of the association shall be exercised by its board of directors, which shall be elected, and shall exercise its powers, as follows:

(a) The board of directors shall consist of the number of directors fixed by the articles of incorporation but shall be not less than 5; all directors shall be bonafide members of the association; and at all times at least two-thirds of the directors shall be residents of this State.

(b) Directors shall be elected for one year and shall serve until their successors are elected and qualified. In all elections of directors cumulative voting shall be permitted as provided in the Constitution of this State.

(c) In the event of a vacancy on the board of directors from any cause, the remaining directors shall have full power and authority to continue the management of the association. Each vacancy may be filled by election at a special meeting of the members.

(d) The board of directors shall hold regular meetings as provided in the by-laws. Special meetings may be held as provided in the by-laws, and also upon call by the Commissioner after not less than 12 hours' notice by personal or mail service to each director.

(e) A majority of the board of directors shall constitute a quorum for the transaction of business unless a greater number is required in the by-laws. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by law, the articles of incorporation, or the by-laws.

(f) The board of directors shall have all powers which are necessary and proper to enable the association to accomplish its purposes.

(g) The board of directors may adopt or amend by-laws, but no by-law shall be effective until it has been submitted to and approved by the Commissioner as being in conformity with this Act. Each adopted amendment shall be subject to the same inquiry by the Commissioner as the corresponding provision in the original by-laws of the association except as provided in sub-section (h).

(h) If a by-law amendment provides for a change in the location of an association's business office to a location which is more than one mile distant from the existing location, the Commissioner shall not approve the amendment unless he finds that (1) a need exists for an association in the proposed new location (2) the capital of the association meets the minimum initial capital requirements of this Act with respect to the new location; (3) the proposed change of location can be effected without undue injury to other properly conducted associations; and (4) notice of the association's proposal to change location has been published at least once in the community of the proposed new location. The Commissioner may hear evidence to determine his findings at any time prior to his approval or disapproval of the amendment; and he may require, as a condition of his approval, ratification of the amendment by the vote (at a meeting of the members) or the written consent of the members of the association who are entitled to cast a majority of the total number of votes which all members of the association are entitled to cast. (As amended by act approved July 23, 1965.)

Section 3-5. Waiver of Notice.) Whenever notice is required to be given under this Act, a waiver thereof in writing signed by the person or persons entitled to said notice, shall be deemed equivalent thereto.

Section 3-6. Officers; Suspension and Removal of Officers, Directors, and Employees.)

(a) The officers of an association shall consist of a president, one or more vice presidents, secretary, treasurer, and such other officers as the by-laws shall provide, to be elected by the directors; if the by-laws so provide, any two or more offices may be held by the same person, except that one person shall not hold the offices of president and secretary. The duties and powers of the secretary set forth in this Act may be exercised by any other officer designated by the board of directors.

(b) The existence of an association shall not terminate by reason of the failure to elect officers at the time mentioned in the by-laws, and each officer shall hold his office until his successor is elected and qualified.

(c) Whenever any officer, director, or employee of an association is charged in any indictment with the commission of or participation in a crime involving the affairs of any association incorporated under this Act, a federal association, or any other financial institution, the Commissioner may, by written notice served upon such officer, director, or employee, suspend him from office. Such suspension shall remain in effect (unless such officer, director, or employee sooner resigns or is not reappointed or reelected at the expiration of his term of office) until such officer, director, or employee is convicted or is adjudged not guilty of such offense or the indictment is dismissed or otherwise disposed of. If such officer, director, or employee is convicted of such offense, he shall thereupon cease to be an officer, director, or employee of such association; but if he is found not guilty, his suspension shall automatically be terminated. (As amended by act approved July 23, 1965.)

Section 3-7. Bonds of Officers and Employees.)

(a) Every person appointed or elected to any position requiring the receipt, payment, management or use of money belonging to an association, or whose duties permit him to have access to or custody of any of its money or securities or whose duties permit him regularly to make entries in the books or other records of the association, before assuming his duties shall become bonded in some fidelity insurance company licensed to do business in this State. Each such bond shall be on a form or forms as the Commissioner shall require and in such amount as the board of directors shall fix and approve.

(b) Nothing contained herein shall preclude the Commissioner from proceeding against an association as provided in this Act should he believe that it is being conducted in an unsafe manner in that the form or amount of bonds so fixed and approved by the board of directors is inadequate to give reason-

able protection to the association. (As amended by act approved July 23, 1965.)

Section 3-8. Access to Books and Records; Communication with Members.)

(a) Every member or holder of capital shall have the right to inspect such books and records of the association as pertain to his account. Otherwise, the right of inspection and examination of the books and records shall be limited to the Commissioner, as provided in this Act, and to any Federal instrumentality or agency authorized to inspect or examine the books and records of an insured association; and no other person shall have access to the books and records except upon express authority of the board of directors, or shall be entitled to a list of the members.

(b) However, if any member desires to communicate with the other members of the association with reference to any question pending or to be presented at a meeting of the members, the association shall give him upon request a statement of the approximate number of members entitled to vote at such meeting and an estimate of the cost of preparing and mailing such communication. The requesting member then shall submit the communication to the Commissioner who, if he finds it to be appropriate and truthful, shall direct that it be prepared and mailed to the members, upon the requesting member's payment or adequate provision for payment of the expenses of such preparation and mailing. (As amended by act approved July 23, 1965.)

ARTICLE 4—Capital.

Section 4-1. Types of Capital; Personal Property.)

(a) The capital of an association may be represented by withdrawable capital accounts (shares and share accounts) or permanent reserve shares or both, as provided in this article and as authorized by the articles of incorporation.

(b) All shares and capital accounts shall be personal property in the hands of their holders, transferable as provided in this Act and the by-laws of the association. (As amended by act approved July 11, 1957.)

Section 4-2. Withdrawable Capital.) Withdrawable capital accounts shall be:

(a) Withdrawable and subject to enforced retirement as provided in this article. Nothing in this act shall prevent the withdrawal of funds from an association by non-negotiable order.

(b) Entitled to dividends as provided in this article;

(c) Nonassessable for either debts or losses of the association;

(d) Issued on such plan or plans of payment therefor or thereon and in such series or classes

as the by-laws may provide, which plan or plans of payment may include;

(1) Regular installment plan: agreed weekly or monthly payments, with dividends credited to or in behalf of the account until the ultimate value agreed upon in the subscription is reached;

(2) Full paid plan: one single payment of one hundred dollars (\$100) per unit with dividends payable in cash unless by agreement credited to the account;

(3) Pre-paid plan: one single payment in such amount per unit as is set forth in the by-laws, with dividends credited to such account until the ultimate value of one hundred dollars (\$100) per unit is reached;

(4) Optional plan: payment in such amount or amounts and at such times as the holder may elect, with dividends credited to such account unless by agreement payable in cash;

(5) Other plans: any other plan of payment which the Commissioner may approve as conforming to a sound savings and loan practice. (As amended by act approved July 23, 1965.)

Section 4.3. Permanent Reserve Shares — Nature.) Permanent reserve shares shall constitute a secondary reserve out of which losses shall be paid after all other available reserves have been exhausted, and shall have a par value of one dollar (\$1.00) each or such greater amount as the articles of incorporation may prescribe; and such shares shall be:

(a) Nonwithdrawable, except as provided in the section of this article on Retirement or Reduction of Permanent Reserve Capital, until all liabilities of the association have been satisfied in full, including payment of the withdrawal value of all other types or classes of capital.

(b) Entitled to dividends only as provided in the section of this article concerning Dividends.

(c) Issued only upon cash payment of not less than the par value thereof, or in exchange for the withdrawal value of withdrawable capital accounts, or in connection with a merger, sale of all assets, or conversion, or as stock dividends as provided in the section of this article on Dividends. (As amended by act approved July 11, 1957.)

Section 4.4. Permanent Reserve Shares — Authorization of Issuance; Minimum Amount.)

(a) An association may provide for the issuance of permanent reserve shares, either by its original articles of incorporation or by an amendment thereto.

(b) The aggregate pare value of the initial issue of permanent reserve shares shall be not less than the minimum initial permanent reserve capital which the association, if it were being organized, would be required to have under the provisions of the section of this Act concerning Applicants and

Initial Capital; and also shall not be less than the amount computed by adding 3% of the first \$5,000,000 of the aggregate withdrawal value of the association's withdrawable capital, 2% of the next \$2,500,000 of such capital and 1% of any excess of such capital over \$7,500,000.

(c) Any plan for the issuance of permanent reserve shares shall be subject to the approval of the Commissioner as being equitable and in conformity with the provisions of this Act, and the rules and regulations of the Commissioner pertaining thereto. (As amended by act approved July 23, 1965.)

Section 4-5. Permanent Reserve Shares—Rights of Existing Shareholders.) When an association already in operation amends its articles of incorporation to authorize the issuance of permanent reserve shares:

(a) The association shall mail notice to each shareholder who was entitled to vote at the meeting at which the amendment was adopted, giving him the prior right for at least sixty (60) days after the date of mailing such notice, to subscribe to the initial issue of permanent reserve shares, in the same proportion which the withdrawal value of such holder's share account bears to the aggregate withdrawal value of all withdrawable share accounts in the association. Such rights to subscribe shall be transferable. No fraction of an original permanent reserve share need be issued, but in such case fractional subscription rights may be combined to authorize the subscription to one or more whole permanent reserve shares. Fractional subscription rights need not be issued for an account the withdrawal value of which is less than ten dollars (\$10.00).

(b) Unless other provision is made with respect to reserves and undivided profits, as authorized by sub-section (f) of this section, the board of directors shall determine, as of the day prior to the effective date of the amendment, the total amount of loss reserves, undivided profits, and unallocated reserves after making allowances for accrued dividends and expenses, losses not provided for, and such similar items as are chargeable against the income of the association since the last previous apportionment date. The amount so fixed shall constitute a segregated surplus of the association and may be retained in, or allocated to, such reserve accounts, undivided profits accounts, or surplus accounts as may be lawful; and other earnings of the association accruing after the effective date may be allocated to said segregated surplus and an equal amount then may be transferred to any other unsegregated account.

(c) Such segregated surplus shall be available for losses from the depreciation of securities or otherwise, except that any loss resulting from operations, including loans and investments made or purchased after the effective date of the amendment, shall be charged first to loss reserves and undivided profits created after such date until the same are exhausted.

(d) If the association merges with another as provided in this Act, the balance of such segregated surplus shall continue to be held in a segregated account or accounts for the same use and disposition as though no merger had occurred.

(e) If the association liquidates or effects a sale of all or substantially all of its assets the balance of such segregated surplus shall be distributed to each holder of its capital in the proportion that the amount of his account bears to the total capital.

(f) In lieu of the establishment of a segregated surplus as provided in this section, the plan for the issuance of permanent reserve shares may include such other provisions with respect to the surplus, reserves and undivided profits of the association as may be approved by the vote (at a meeting of the members) or the written consent of the members of the association who are entitled to cast two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast, and in such case the surplus, reserves and undivided profits shall be retained and disposed of in accordance with such plan. (As amended by act approved July 11, 1957.)

Section 4-6. Permanent Reserve Shares—Advertising; Sale; Collection of Subscriptions.)

(a) All prospectuses and advertising matter regarding the subscription for permanent reserve shares shall include a statement to the effect that such permanent reserve shares are not insured.

(b) No association shall pay to any person any commission or other compensation for obtaining any subscription to or sale of permanent reserve shares.

(c) The board of directors shall establish a separate account to receive all funds paid in for permanent reserve shares, and shall maintain such account until further action is authorized as follows:

(1) When the aggregate amount of such funds equals or exceeds the amount of the minimum initial permanent reserve capital which the association must obtain, and either the board of directors has decided by resolution to proceed under the permanent reserve share plan, or one year has elapsed from the date on which the issuance of permanent reserve shares was authorized and the board has taken no action, then the separate account may be terminated and the funds may be transferred to the association's general account.

(2) If the aggregate amount of such funds fails to reach the amount of the minimum initial permanent reserve capital which the association must obtain and one year has elapsed from the date on which the issuance of permanent reserve shares was authorized; or if the board of directors, within such one year period, has decided by resolution to abandon the permanent reserve share plan; then the funds in the separate account shall be returned to the respective subscribers and shall not

become a liability of the association or its officers or directors. (As amended by act approved July 11, 1957.)

Section 4-7. Retirement or Reduction of Permanent Reserve Capital.)

(a) The board of directors of an association operating with permanent reserve capital may propose an amendment to the articles of incorporation providing for the retirement of all of the permanent reserve capital, and a detailed plan for effectuating such amendment. The resulting capital of the association shall be not less than the minimum initial capital which the association, if it were being organized, would be required to have under the provisions of this Act concerning Applicants and Initial Capital. The proposal shall be submitted to the Commissioner for his approval.

(b) If the Commissioner approves the proposal, the association's board of directors may request in writing an appraisal of the value of the permanent reserve shares; and the Commissioner then shall cause such an appraisal to be made, allowing proper credit to such shares from the association's segregated surplus, if any exists, and from other reserves and undivided profits. The value of the permanent reserve shares so determined may be considered in the further proceedings under this section.

(c) The proposal then may be submitted to the members at an annual or special meeting. It shall be adopted upon receiving in the affirmative the votes of the holders of two-thirds or more of the outstanding permanent reserve shares, and also two-thirds or more of the total number of votes which all other members of the association are entitled to cast thereon. The proposal shall become effective upon completion of the procedure provided in this Act for the amendment of articles of incorporation.

(d) An association may amend its articles of incorporation, in accordance with the procedure provided in this Act for such amendments, to reduce its permanent reserve capital, but in no event to an amount which is less than the minimum permanent reserve capital which the association would be required by this Act to issue if it were newly authorized to issue permanent reserve capital. (As amended by act approved July 23, 1965.)

Section 4-8. Issuance, Delivery and Transfer of Certificates and Account Books.)

(a) Every capital account shall be evidenced by one or more appropriate certificates; and either such certificates or an account book, or both, shall be delivered to the holder of such account. The wording, type, and form of the certificates and account books issued by an association shall be subject to the approval of the Commissioner.

(b) The holder of a withdrawable capital account may transfer his rights therein absolutely or

conditionally to any other person eligible to hold the same, by written assignment accompanied by delivery of the appropriate certificate or account book; but notwithstanding the effectiveness of such a transfer between the parties thereto, the association may treat the holder of record as the owner of the account for payment, voting, and all other purposes until such assignment and any accompanying certificate or account book have been received by the association with a request for the transfer on the association's records.

(c) Withdrawable capital certificates, account books, and any other evidences of membership shall be nonnegotiable and not subject to Article 8 of the Uniform Commercial Code concerning Investment Securities. Permanent reserve share certificates shall be subject to the provisions of Article 8 of the Uniform Commercial Code concerning Investment Securities.

(d) All withdrawable capital certificates and account books, delivered to the holders as prescribed by this article, shall be subject to attachment and execution as provided by the laws of this State, and the association shall not be subject to garnishment proceedings concerning any capital account, except with respect to a certificate or account book in the association's possession, and when

(1) Neither a certificate nor an account book has been delivered to the holder as required by this section, or

(2) The certificate and account book (or either of them if only one has been delivered) have been returned to the association's possession.

(e) If the holder of a withdrawable capital account, or the personal representative of any such person, shall file with the association an affidavit to the effect that his account book or certificate has been lost or destroyed, and that such account book or certificate has not been pledged or assigned either in whole or in part, then such association may issue a substitute account book or certificate in the name of such holder, with a statement therein that such account book or certificate is issued in lieu of the one lost or destroyed. The association shall not be liable thereafter with respect to the original account book or certificate; but the board of directors may require a bond in sufficient amount to indemnify the association against any loss which might result from the issuance of such substitute account book or certificate. (As amended by act approved July 23, 1965.)

Section 4-9. Who May Hold Capital and Membership.) Withdrawable capital accounts, permanent reserve shares, and membership in an association, may be held:

(a) By any individual in his own right, regardless of his age or marital status, or by two or more of such individuals;

(b) By a fiduciary, when authorized by law;

(c) By a government or governmental instrumentality when authorized by law;

(d) By any corporation or other person as defined in this act when not prohibited by law. (As amended by act approved July 11, 1957.)

Section 4-10. Joint Account; Trust Account; Payment on Death Account.)

(a) If two or more persons opening or holding a withdrawable capital account shall execute a written agreement with the association or federal association providing that the account shall be payable to any or the survivor of them, the account, and any balance thereof which exists from time to time, shall be held by them as joint owners with right of survivorship and, unless otherwise agreed, any payment by the association or federal association to any of such persons shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. A pledge of such account by any holder or holders including minors authorized to withdraw amounts from such accounts shall, unless otherwise specifically agreed, be a valid pledge and transfer of the account and shall not operate to sever or terminate the joint and survivorship ownership of all or any part of the account.

(b) If one or more persons opening or holding a withdrawable capital account shall execute a written agreement with the association or federal association providing that the account shall be held in the name of such person or persons as trustees for one or more persons designated as beneficiaries, the account and any balance thereof which exists from time to time, shall be held as a trust account and unless otherwise agreed between the trustees and the association or federal association:

(1) Any such trustee during his lifetime may change any of the designated beneficiaries by a written direction accepted by the association or federal association; and

(2) Any such trustee may withdraw or receive payment in cash or check payable to his personal order and any payment or withdrawal shall constitute a revocation of the agreement as to the amount withdrawn; and

(3) Upon the death of the last surviving trustee the person or persons designated as beneficiaries who are living at the death of the last surviving trustee shall be the holders of the account (as joint owners with right of survivorship if more than one) and any payment to the holder or any of such holders shall be a complete discharge of the association's or federal association's obligation as to the amount so paid.

(c) If a person opening or holding a withdrawable capital account shall execute a written agreement with the association or federal association providing that on the death of the person named as holder, the account shall be paid to or held by another person or persons, the account, and any bal-

ance thereof which exists from time to time, shall be held as a payment on death account and unless otherwise agreed between the persons opening the account and the association or federal association:

(1) Upon the death of the holder of the account, the person or persons designated by him and who have survived him shall be the owners of the account (as joint owners with right of survivorship if more than one) and any payment made by the association or federal association to any of such persons shall be a complete discharge of the association's or federal association's obligation as to the amount paid; and

(2) The person to whom such account is issued may change during his lifetime the designation of any of the persons who are to be holders at his death, by a written direction accepted by the association or federal association; and

(3) The person to whom such account is issued may withdraw or receive payment and any payment made by the association or federal association shall be a complete discharge as to the amount paid.

(d) Whenever in any of the above situations, none of the beneficiaries of a trust account and none of the persons designated to hold on death in a payment on death account, survive the last trustee or person to whom the payment on death account is issued, the account, and any balance thereof which exists from time to time, shall be held by the trustee or holder of the account in his own right, unless it is otherwise agreed.

(e) No addition to any account, nor withdrawal, payment, revocation, or change of beneficiary or payee shall affect the nature of the account as a joint account with right to survivorship, trust account, or payment on death account.

(f) Any association or federal association may continue to recognize the authority of an attorney authorized in writing to manage or to make withdrawals either in whole or in part from the withdrawable capital account of a member until it receives written notice or actual notice of the death or adjudication of incompetency of such member or revocation of the authority of such attorney. Any payment by the association or federal association to an attorney prior to receipt of such notice shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. (As amended by act approved August 14, 1961.)

Section 4-11. Effect of Payment to Minor or Fiduciary.) Unless the written agreement provides otherwise, or unless the association or federal association has had written notice of the terms under which a fiduciary holds a withdrawable capital account, the association or federal association may make loans on the security of withdrawable capital accounts or pay the value thereof and dividends thereon:

(a) To any minor who is a holder of such withdrawable capital account;

(b) To such fiduciary who is the holder of such account without becoming liable to any beneficiary for such payment.

In each of the foregoing instances the receipt or acquittance of the person or persons to whom payment is made in accordance with the provisions of this section shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. In the case of a minor, the receipt, acquittance, pledge or other action required by the association to be taken by the minor shall be binding upon such minor with like effect as if he were of full age and legal capacity. (As amended by act approved August 14, 1961.)

Section 4-12. Payment on Incompetency or Death of Holder in His Own Right of Withdrawable Capital.)

(a) If the holder in his own right of a withdrawable capital account becomes incompetent and adjudication thereof has been made by a court of competent jurisdiction, then the association may pay the value of such withdrawable account and dividends thereon:

(1) To the conservator of such holder in his own right upon his appointment and qualification;

(2) In the case of small estates as defined in the Probate Act where the appointment of a conservator is unnecessary, then to the persons entitled thereto in accordance with the provisions of the Probate Act.

Until the association has actual knowledge that such holder has been adjudicated incompetent, it may pay to him personally and his receipt or acquittance therefor shall be a complete discharge of the association as to the amount so paid.

(b) Upon the death of a holder in his own right of a withdrawable capital account the association upon receipt of proper inheritance tax waivers may pay the value thereof and dividends thereon:

(1) To the personal representative of such deceased holder if and when qualified, in the manner provided in this Act for the voluntary withdrawal of accounts generally.

(2) In the case of small estates as defined in the Probate Act where no personal representative is appointed, then to the persons entitled thereto in accordance with the provisions of the Probate Act.

(3) After one year from the date of decedent's death, where no personal representative has been appointed and no action has been taken to obtain payment as in the case of small estates under the Probate Act, the association in its discretion may make payment to the surviving spouse or next of kin of the holder or other persons entitled thereto as in the case of small estates as provided in the Probate Act; and the association shall not become liable to any personal representative of the decedent there-

after appointed, but the directors may require a bond to indemnify the association against loss by reason of such payment.

Section 4-13. Voluntary Withdrawal of Capital Accounts.)

(a) A holder of withdrawable capital may make application for withdrawal of, and the association may pay, all or any part of the withdrawal value thereof at any time. However an association may enter into a contract pursuant to the laws of the United States or this state as they now are or as they may be amended or supplemented and such contract may in reference to said law provide among other things that no withdrawal may be made except as provided by such law specifically referred to in the contract or the certificate of withdrawable capital.

(b) If the association has insufficient funds in the treasury and from current receipts to pay all matured accounts and applications for withdrawal, within 30 days after such accounts mature or payment is requested, then the board of directors shall provide by resolution:

(1) The amount of money available in each calendar month to pay maturities and withdrawals, in accordance with safe and required operating procedure; but after making provision for expenses, debts, obligations, and cash dividends on capital accounts, due or to become due, not less than 50% of the remainder of such treasury funds and current receipts shall be made available for the payment of withdrawals and maturities;

(2) For a list of matured capital accounts in order of maturity, and if in the same series, in order of issuance in such series; and also of applications for withdrawals in chronological order of filing. Separate lists may be established for such purposes, in which event the resolution shall provide the proportion of available money which shall be applied to each list;

(3) For a maximum sum, which shall not exceed \$1,000, which may be paid to any one holder at any one time; and if any holder's application for withdrawal or for payment of matured shares exceeds the sum so fixed, then he shall be paid in his turn the sum so fixed, and his application, reduced by such payment, shall be deemed refiled in its order as if filed on the date of such payment. Such limited payment may be made on a fixed date in each month and such refiled and renumbering, as the case may be, may take place on the same date in each subsequent month as long as any applications remain unpaid;

(4) For a maximum sum, which shall not exceed \$200, which may be paid on any application for withdrawal or to any one holder of matured shares in any calendar month, regardless of the order of application.

(c) Withdrawable capital pledged as sole security for a loan shall be subject to the withdrawal

provisions of this section, but amounts available for payment on the application for withdrawal shall be applied first to the repayment of the loan balance.

(d) Withdrawable capital may be accepted by the association in payment or part payment for any real estate or other assets owned by the association; but if the association has a list of withdrawals or withdrawals and maturities, such sale of assets shall be to the highest bidder, and at least 10 days notice of the proposed sale shall be given by mail to all holders of withdrawable or matured capital whose names appear on the withdrawal or maturity list.

(e) No holder shall have more than one application for withdrawal in effect at any one time; but a holder may cancel his application or reduce the amount thereof at any time as to any amount not yet paid.

(f) The holder of withdrawable capital for which application for withdrawal has been made, does not become a creditor by reason of such application.

(g) The board of directors of any association operating on the serial plan or with regular installment or prepaid shares on which dividends have not been credited directly to the share accounts, may determine by resolution the portion of profits which may be paid to withdrawing members. (As amended by act approved July 23, 1965.)

Section 4-14. Maturity of Shares.)

(a) When a regular installment or prepaid share reaches maturity value by reason of payments or dividend credits, or both, all payments thereon by the holder shall cease. The association either shall pay to the holder the maturity value of such share, in accordance with the provisions of this article, or shall mail a notice to the holder at his last known address as it appears on the association's records, to the effect that he is entitled to receive payment for such share or to transfer the same or such portion thereof as the directors may specify, into other withdrawable capital, and that if he takes neither action within sixty (60) days after the date on which such notice is mailed, the value of such share may be held in a creditor account without interest or dividends, available for the holder upon his application, or the board of directors may transfer such share to another withdrawable account of equivalent value on which dividends shall accrue as on a new account opened on the transfer date.

(b) If the association has insufficient funds to make immediate payment upon the date of maturity of any shares, such shares shall be listed in the order of their respective dates of maturity, and shall be paid in the manner provided in the section of this article concerning Voluntary Withdrawal of Capital Accounts. Shares in the same series maturing on the same date shall be listed, as of such date, in the order in which they were issued in that series. From the date of maturity until payment, dividends shall be apportioned to such matured

shares at a rate to be determined by resolution of the board of directors. Dividends so apportioned shall be accumulated to the credit of such shares and shall be paid to the holder at the time when the shares are paid. However, the rate of such dividends shall not exceed the highest rate being currently apportioned to any other shares.

Section 4-15. Enforced Retirement of Withdrawable Capital Accounts.)

(a) The board of directors, when authorized by the by-laws, and in conformity with the provisions of this section and of the by-laws, may retire any withdrawable capital accounts which have not been pledged as security for loans by enforcing the retirement thereof.

(b) A thirty (30) day notice of such enforced retirement shall be given to the holder of an account to be retired, and after the end of such thirty (30) day period, the holder shall not be entitled to further dividends, but shall be paid the full withdrawal value of his account as determined at the last preceding apportionment of profits, plus all payments made since such apportionment, and plus such additional dividends as the board of directors may determine to be equitable and within the earning rate of the association for the period which has elapsed since the last preceding apportionment of profits, but less any unpaid charges. However, all accounts upon which applications for voluntary withdrawal have been received, and all shares which have matured, shall be paid first in accordance with the provisions of this article.

Section 4-16. Authorized Charges Applicable to Members.)

(a) An association may charge an initial membership fee and a fee for transfer of membership or capital, but no such fee shall exceed twenty-five cents (25c) per share or per one hundred dollars (\$100) of the account.

(b) The association's by-laws may provide for a charge or penalty for the non-payment when due, of agreed payments on capital accounts, and of installments, interest, or premiums on loans; but no such charge or penalty shall exceed the sum of two cents (2c) per dollar of the amount payable in any one month, and no such charge or penalty shall be either compounded or cumulated. However, if a loan has been predicated on a membership entitling the borrowing member to a vote of one share, no such charge or penalty shall exceed the sum of five cents (5c) per month per dollar of the amount payable, or in lieu thereof such further interest charge as may be provided in the loan contract.

(c) All fees, charges, and penalties collected shall be accounted for as a part of the receipts of the association. (As amended by act approved July 11, 1957.)

Section 4-17. Capital Accounts Subject to Liens.)
Every withdrawable capital account shall be subject

to a lien for the payment of such charges as lawfully may accrue thereon under the provisions of this Act, and the by-laws may prescribe the manner of enforcing such lien; but no member shall be responsible for any losses which the then existing assets of the association shall not be sufficient to satisfy, or for any unpaid installment upon his account which is not yet due under the terms of his subscription.

Section 4-18. Apportionment of Profits.) The board of directors shall apportion the profits of the association, at least annually and as much more often as the by-laws may prescribe; and each apportionment shall be made in accordance with the following procedure:

(a) A proper allocation first shall be made to the contingent reserve and to any other reserve required by the section of this article concerning Reserves.

(b) Additional allocations then may be made to such special reserves as the board of directors may have established in accordance with the section of this article concerning Reserves.

(c) Dividends then may be declared, first on withdrawable shares and share accounts and thereafter on permanent reserve shares, in accordance with the provisions of this Act and the by-laws.

(d) The residue of such profits may be held as "undivided profits," subject to use in the same manner as profits generally; but except upon prior approval by the Commissioner the total amount of "undivided profits" at no time shall exceed 5% of the aggregate withdrawal value of the association's withdrawable capital. (As amended by act approved July 23, 1965.)

Section 4-19. Reserves.)

(a) Each association shall have a contingent reserve to which the board of directors shall allocate such portion of the association's profits as the board may determine; except that whenever the total amount of such reserve together with special reserves for losses and the insurance reserve of an insured association is less than 7½% of the aggregate withdrawal value of the association's withdrawable capital accounts, the allocation to such contingent, special reserve or the insurance reserve of an insured association upon each apportionment of profits shall total not less than 10% of the profits being apportioned, or such lesser portion as will increase the aggregate of such reserves to the required total amount. In lieu of the requirements specifically set forth in the preceding sentence, an insured association may make such allocations to the reserves as may from time to time be required by the insurance corporation. (As amended by act approved July 16, 1963.)

(b) The board of directors may establish and maintain such special reserves as they may deem advisable, to provide for losses or liabilities; the contingent reserve, or any of such special reserves,

may be designated as the insurance reserve for an insured association, or transfers from such reserves in whole or in part may be made to the insurance reserve; and losses may be charged to such reserves as the board of directors may determine.

(c) In addition to the foregoing reserves, an association operating under a bonus plan, as authorized by the section of this Act concerning Bonus Plans, shall establish and maintain a bonus reserve in such an amount as will be sufficient to satisfy the obligations of such plan; and any excess amount in said reserve may be transferred from time to time to undivided profits. (As amended by act approved August 14, 1961.)

Section 4-20. Dividends.)

(a) Subject to the restrictions set forth in this section and the association's by-laws, the board of directors from time to time may determine the rate and amount of dividends to be paid on capital, and for that purpose may establish reasonable classifications of withdrawable capital accounts, based on (1) types or classes of such accounts, or (2) the length of time accounts are continued in effect, or (3) size of initial payments on accounts, or (4) minimum balances of accounts during apportionment periods, or (5) frequency and extent of the activity of accounts, or (6) such other classifications as the Commissioner may approve; and the Commissioner is authorized to prepare model plans of classifications for adoption by associations.

(b) However, the declaration of dividends on capital shall be subject to the following restrictions:

(1) No dividends shall be declared when the total amount of the contingent reserve is less than that required by the section of this Act concerning Reserves, unless the allocation provided by said section has been made.

(2) Regardless of any dividend rate to which any class of withdrawable share account is entitled, by limitation as expressed in the appropriate certificate or account book, or by action of the board prior to the date of the dividend declaration, no dividend shall be declared on such class which exceeds the dividend rate currently declared on withdrawable share accounts which are unlimited as to participation in dividends.

(3) The rate of dividend allocated to withdrawable share accounts which according to their terms are unlimited as to participation in dividends, shall not exceed by more than 1% the rate of dividends allocated to the class of share accounts which is entitled to the highest limited rate of participation, unless the total withdrawal value of such unlimited accounts is more than 20% of the aggregate withdrawal value of all withdrawable capital of the association, or unless the association has discontinued the issuance of unlimited accounts, or unless unlimited accounts are being offered and made available for issuance without discrimination.

(4) No dividends shall be declared on permanent reserve shares until after payment or

provision has been made for all expenses, losses, required reserves, and dividends on withdrawable capital; or at a time when the par value of all the permanent reserve shares outstanding, all undivided profits, and all reserves available for losses, total less than 5% of the aggregate withdrawal value of the association's withdrawable capital, or when the payment of such a dividend would reduce such total amount to less than such 5%. However, a stock dividend may be declared out of undivided profits at any time.

(c) A dividend need not be allocated to any share account, other than a regular installment share account, which has a withdrawal value of less than \$10 on the record date with respect to which the dividend is paid; and no allocation need be made to a share account which by written agreement will be closed within 15 months of the date on which such account is opened.

(d) The board of directors shall determine by resolution the method of calculating the amount of any dividend on withdrawable capital, and the date on which the same is to be declared or credited; but no payment or credit shall be made more than 10 days before the end of any apportionment period. (As amended by act approved July 23, 1965.)

Section 4-21. Bonus Plans.) For the purpose of encouraging thrift, systematic savings, and long term investment, the board of directors may establish by resolution bonus plans for holders of withdrawable capital accounts; and the board then shall transfer from the periodical profits of the association additional amounts to a bonus reserve as provided in the section of this Article concerning Reserves, from which reserve payments to holders complying with such plans shall be paid. Every bonus so paid shall be deemed a premium and shall not be construed as a dividend. The bonus plans shall be in accordance with the following provisions:

(a) The holder shall agree to make regular payments at least monthly, of any predetermined amount, until the payments together with dividends apportioned thereto equal two hundred (200) times the agreed monthly payment and without a delay of more than sixty (60) days in any payment, without a prepayment of more than twelve (12) months and without making application for withdrawal of all or any part of the account. At the end of the bonus period, the holder shall receive, in addition to the regular monthly payments and dividends apportioned thereto, a bonus at the rate of one per cent (1%) per annum computed on the withdrawal value of the account at each apportionment of profits. However, if the holder shall apply for withdrawal of his account in part or in full or shall fail to meet any and all the other terms of his bonus agreement after such account, including dividends apportioned thereto, has reached:

(1) At least fifty (50) but less than one hundred (100) times the agreed monthly payment upon his account in accordance with the terms there-

of, such holder shall be entitled to receive one-fourth ($\frac{1}{4}$) of the bonus allocable to such account;

(2) At least one hundred (100) but less than one hundred fifty (150) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive one-half ($\frac{1}{2}$) of such bonus allocable to such account;

(3) At least one hundred fifty (150) but less than two hundred (200) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive three-fourths ($\frac{3}{4}$) of such bonus allocable to such account.

(b) The holder shall subscribe to a long-term investment plan providing that if he maintains in his account an agreed balance (1) if for a period of four (4) years, he shall be paid a bonus of an agreed rate not to exceed one-half of one per cent per annum, or (2) if for a period of eight (8) years, he shall be paid a bonus of an agreed rate not to exceed one per cent per annum. The plan may state the minimum and maximum balances on which a bonus may be paid.

(c) If the association effects an enforced retirement of an account which is under a bonus plan before the bonus becomes payable according to the plan, the portion of the bonus reserve allocable to the account shall be paid to the holder.

(d) Other Bonus Plan. Any bonus plan other than those provided for by paragraph (b) of this Section may be established for the purpose of encouraging thrift, systematic savings or long-term investment upon approval by the Commissioner by general regulation, except that any such other bonus plan so approved shall not allow a bonus in excess of that allowed for Federal associations. (As amended by act approved July 23, 1965.)

ARTICLE 5—Investments.

Section 5-1. Investment in Obligations of Members.) An association may loan funds to members as follows:

(a) On the security of withdrawable capital accounts, but no such loan shall exceed the withdrawal value of the pledged account;

(b) On the security of real estate:

(1) Of a value, determined in accordance with the section of this Act concerning Appraisals, sufficient to provide good and ample security for the loan; and

(2) With a fee simple title which is unencumbered except as permitted in the section of this Article concerning Real Estate Encumbrances; or

(3) A leasehold title of not less duration than 14 years beyond the maturity of the loan; and

(4) With the title established by such evidence of title as is consistent with sound lending practices in the locality; and

(5) With the security interest in such real estate evidenced by an appropriate written in-

strument and the loan evidenced by a note, bond or similar written instrument. A loan on the security of the whole of the beneficial interest in a land trust shall be deemed to satisfy the requirements of this paragraph if the title to the land is held by a corporate trustee and if the real estate held in the land trust meets the other requirements of this subsection.

(c) For the purpose of repair, improvement, rehabilitation, or equipment of real estate. However, any such loans which are not secured, guaranteed, or insured, as provided in this section, (1) shall be limited to \$5,000 each, exclusive of legal and financing charges; (2) shall be repayable over a period of 8 years or less, in substantially equal installments not less frequent than semi-annual; and (3) shall not be made if the resulting aggregate unpaid balances of all of such loans would exceed 20% of the association's total assets;

(d) Through the purchase of loans which at the time of purchase the association could make in accordance with the provisions of this section and by-laws;

(e) Through the purchase of installment contracts for the sale of real estate, and title thereto which is subject to such contracts, but in each instance only if the association at the time of purchase could make a mortgage loan of the same amount and for the same length of time on the security of such real estate;

(f) Through loans guaranteed or insured, wholly or in part by the United States or any of its instrumentalities, and without regard to the limits in amount and terms otherwise imposed by this Article;

(g) On the security of any of the above authorized investments. (As amended by act approved July 23, 1965.)

Sec. 5-2. Other Investments.) If the board of directors determines at any time that funds are available in excess of the demands and needs of members for loans, maturities and withdrawals, an association may invest such funds as specified in Section 5-2.1 to 5-2.10, inclusive. (As amended by act approved August 14, 1961.)

Sec. 5-2.1. Subject to Section 5-2, an association may invest in withdrawable capital of any state or Federal Association which is a member of an insurance corporation as defined in this Act. (As amended by act approved August 14, 1961.)

Sec. 5-2.2. Subject to Section 5-2, an association may invest in participating interests in mortgage loans of a type which the association would be authorized to make, if the other participants are associations or corporations insured by an instrumentality of the United States, or are instrumentalities of or corporations owned wholly or in part by the United States or this State. (As amended by act approved August 14, 1961.)

Sec. 5-2.3. Subject to Section 5-2, an association may invest in obligations of or fully guaranteed by

the United States; in stocks or obligations of Federal Home Loan Banks; in stocks or obligations of the Federal National Mortgage Association. (As amended by act approved August 14, 1961.)

Sec. 5-2.4. Subject to Section 5-2, an association may invest in bonds or other direct obligations of or guaranteed as to principal and interest by this State. (As amended by act approved August 14, 1961.)

Sec. 5-2.5. Subject to Section 5-2, an association may invest in obligations which by the laws of this State are made legal investments for savings and loan associations. (As amended by act approved August 14, 1961.)

Sec. 5-2.6. Subject to Section 5-2, an association may invest in bonds or other evidences of indebtedness which are direct general obligations of any county, city, town, village, school district, sanitary district, park district, or other political subdivision or municipal corporation of this State, or in bonds or other evidences of indebtedness which are payable from revenues or earnings specifically pledged therefor of the county or an adjoining county or a political subdivision or municipal corporation of the county in which the business office of the association is located or an adjoining county, but in no event shall the total amount of such securities of any one maker or obligor exceed 2% of the association's total assets nor shall the aggregate amount of investments under this Section exceed 15% of such total assets. (As amended by act approved August 14, 1961.)

Sec. 5-2.7. With the approval of the Commissioner and subject to Section 5-2, an association may invest in the initial purchase and development, or the purchase or commitment to purchase after completion, of home sites and housing for sale or rental, including (without being limited to) projects for the reconstruction, rehabilitation, or rebuilding of residential properties to meet the minimum standards of health and occupancy prescribed by appropriate local authorities, and the provision of accommodations for retail stores, shops, and other community services which are reasonably incident to such housing projects; or in the shares of a corporation which owns one or more of such projects and which is wholly owned by one or more financial institutions whose investments are regulated by the laws of this State or of the United States. The association's aggregate investment under this Section shall not exceed 10% of its total assets, and no association shall make an investment of this type unless it has reserves and undivided profits, or permanent reserve capital, totaling at least 5% of the aggregate withdrawal value of the association's withdrawable capital. The Commissioner shall approve the investment only if the association shows:

(1) That the association has adequate assets available for such an investment; and

(2) That the proposed investment does not exceed the reasonable normal value of the property or interest therein; and

(3) That unless the proposed project meets the requirements of paragraph (4) of this Section, the proposed project does not include the construction of dwellings designed for occupancy by 4 families or less; except that in the event the home sites or any portion of a project are not sold within a reasonable time after same have been made available for sale (such period of time to be determined upon application to the Commissioner) such project or portion thereof may be further developed as hereinabove provided; and

(4) That the proposed project is to be located in an area, including any contiguous area acquired incidental thereto, determined by the Commissioner to be an urban renewal, redevelopment, blighted, conservation area, or any other similar area provided for by the laws of the United States, the State of Illinois or local ordinances for slum clearance, conservation, blighted area redevelopment, urban renewal, or of a similar nature or purpose and in the event of such determination by the Commissioner, the provisions of paragraph (3) of this Section shall not be applicable; and

(5) That all other requirements of this Section have been met.

Nothing herein contained shall prohibit an association from developing or building on land acquired by it under any other provision of this Act, nor shall an association be prohibited from completing the construction of buildings pursuant to any construction loan contract where the borrower has failed to comply with the terms of such contract; nor shall any amendment to this Section have a retroactive effect upon any project initiated prior to July 23, 1959, as evidenced by any contract, option, or application to the Commissioner in accordance with the terms of this Section prior to July 23, 1959, nor to any revision or change in the terms of such application requested by the Commissioner prior to his approval. (As amended by act approved July 23, 1965.)

Section 5-2.8. Subject to Section 5-2, an association may invest in marketable investment securities, but in no event shall the total amount of such securities of any one maker or obligor exceed 2% of the association's total assets, nor shall the aggregate amount of investments under this Section exceed 15% of such total assets. As used in this Section, the term "marketable investment securities" does not include stocks, but means marketable obligations evidencing indebtedness of any person in the form of bonds, notes, or debentures commonly known as investment securities, and of a type customarily sold on recognized exchanges or traded over the counter. (As amended by act approved August 14, 1961.)

Section 5-2.9. Subject to Section 5-2, an association may invest in stocks or obligations of business development corporations chartered by this state or by the United States or an agency thereof, but in no event shall the aggregate amount of stock exceed 1/2% of the aggregate withdrawal value of the

association's withdrawable capital or \$250,000 whichever is less. (As amended by act approved August 14, 1961.)

Section 5-2.10. Subject to Section 5-2, an association may invest in obligations of urban renewal investment corporations chartered under the laws of this state, or the United States, or in certificates of beneficial interest of urban renewal investment trusts, but in no event shall the aggregate amount of such stock, obligations or beneficial interest certificates of any one maker exceed 2% of the association's total assets, nor shall the aggregate amount of investments under this section exceed 5% of such total assets. (As amended by act approved August 14, 1961.)

Section 5-3. Real Estate Encumbrances.)

(a) Real estate is encumbered within the meaning of this article unless the security instrument establishes a first lien upon such real estate.

(b) Real estate is not encumbered within such meaning merely by reason of the existence of (1) instruments reserving rights-of-way, sewer rights, or rights in wells; or (2) building restrictions or other restrictive covenants; or (3) a lease under which rents or profits are reserved by the owners; or (4) current taxes or assessments not yet payable; or (5) other encumbrances which, in accordance with sound lending practices in the locality, are not regarded as constituting defects in real estate titles.

(c) A loan may be made under this article on real estate which is subject to a prior lien or other encumbrance which is owned by or exists in favor of the association; or to a prior lien the full amount of which is deducted from the amount of the loan and retained by the association to pay such lien, or which is fully provided for in the closing of the loan transaction.

Section 5-4. Lending Plans.) The board of directors may specify the terms on which loans to members will be made, including (but not limited to) the following lending plans:

(a) **Direct Reduction of Principal:** Such plan shall provide for regular payments which will completely amortize the indebtedness, including principal, interest, or interest and premium, advances, and other charges authorized by this Act, with payments to be made in such amount or amounts and at such time or times as may be agreed upon. If the loan is to be repaid on the monthly direct reduction of principal plan, the balance shall be determined monthly, and interest or interest and premium may be charged on the preceding monthly balance at one-twelfth of the annual rate, and added to such balance, together with any advances made by the association; and from such total indebtedness, payments made by the borrower shall be deducted, and such payments shall be applied first to interest or interest and premium. If the loan is being repaid on a direct reduction plan with payments made less often than monthly, but at least semi-annually, interest or interest and premium shall be charged at one-twelfth of the annual rate multiplied by the number of the months elapsed

since the date of the last payment; and interest or interest and premium on an advance made may be charged from the first day of the month during which the advance was made; or if the advance was made after the fifteenth day of the month, interest or interest and premium may be charged as of the first day of the succeeding month; but such interest or interest and premium shall not be compounded.

(b) **Share Accumulation Plan:** Such plan shall provide for the subscription to shares the matured value of which in even shares shall be not less than the amount of the loan. Interest shall be charged on such loan until the accumulation on the shares, consisting of payments and dividends less charges, if any, authorized by this Act, shall equal the amount loaned, whereupon the shares shall be cancelled against the loan balance, and the loan shall be considered repaid. The plan may provide further for repayment through the application of shares, or cash and shares, as the board of directors may determine.

(c) **Gross Charge and Discount Plan:** Property improvement loans and loans the duration of which is 8 years or less, and the amount of each of which does not exceed \$5,000, exclusive of legal and financing charges, may be repaid under a gross charge or discount method, but in the event of repayment in full prior to maturity, the association shall make a rebate at a rate not less than 6% per annum of the amounts so paid in advance of their due dates if the financing charge applicable to the loan is in an amount equivalent to \$5.00 discount per \$100 original face amount of a one-year note, and if a greater or lesser charge has been taken, the rebate shall be at not less than a proportional rate.

(d) **Insured or Guaranteed Loans:** Loans insured or guaranteed wholly or in part by the United States or any instrumentality thereof may be made and repaid in accordance with the applicable Federal law and regulations.

(e) **Straight Mortgage Loans:** Loans of a type which may be made on an installment basis, also may be made and repaid without full amortization; but no such loan shall be made for a term exceeding 5 years, or in an amount exceeding 50% of the appraised value of the security, except that a loan may be made in an amount not exceeding 60% of such value if the term is not more than 3 years, or in an amount not exceeding 80% of such value if the term is not more than 18 months. Interest on such loans shall be payable not less often than semi-annually. No association shall make such straight mortgage loans if the resulting aggregate unpaid balances of all of such loans would exceed 15% of the association's total assets. (As amended by act approved July 23, 1965.)

Section 5-5. General Loan Contract Provisions.)

(a) Each loan, and any agreement for securing the same, shall be evidenced by one or more written instruments, consistent with sound lending practices in the locality; and whenever recording of such an agreement is necessary to establish priority over the claim of any third party, the agreement shall be recorded.

(b) The loan contract terms shall afford full protection to the association, and shall include, among other things, provision for:

(1) The payment of taxes, assessments, other governmental levies, maintenance and repairs, granting the association the right to make payments thereon or for any other item which, if unpaid, would create a lien prior to that of the loan contract;

(2) Adequate insurance to cover the usual risks on the property offered as security for the loan, and in such form, coverage, and amounts and in such company or companies as the board of directors may approve;

(3) The right to prepay the loan in whole or in part at any time, but the association may require payment of not more than 6 months' advance interest on that part of the aggregate amount of all prepayments on a loan in one year, which exceeds 20% of the original principal amount of the loan.

(c) The loan contract may provide for:

(1) An assignment of rents;

(2) Life insurance to be assigned as additional collateral, in which event the association shall obtain a first lien upon the policy;

(3) A single premium to be paid in advance or deducted from the loan balance, but if the loan is written on the direct reduction of principal plan to amortize the indebtedness in more than 4 years and the premium exceeds 4% and the loan is repaid prior to the expiration of 4 years from the date of its making, the association shall refund one-fourth of the premium in excess of said 4% for each year of the said 4 years then unexpired;

(4) Additional or future advances to be made at the option of the parties up to a total amount stated in the recorded security instrument;

(5) Regular periodical payments together with a lump sum payment required to create a fund in the association to pay when due all taxes as of January 1 of each year when such taxes become a lien against the real estate security, assessments, insurance premiums, ground rents, and other current charges against the real estate security, and the application or crediting of such payments;

(6) Any other covenant or agreement which the association may deem necessary or which is customary in the locality.

(d) If any payment required to be made by the borrower to discharge the performance of any obligation under the loan contract, is not made, or if any fund created for such payment is insufficient to discharge the obligation completely, the association may advance the same and add the required amount to the unpaid balance of the loan as of the first day of the month during which such advance was made and the advance and interest thereon shall be secured by the security instrument.

(e) The first payment on any regular installment loan other than a construction loan, insured loan, or guaranteed loan, shall begin not later than 60 days after the advance of the loan. The first pay-

ment on a loan insured or guaranteed shall be upon terms acceptable to the insuring or guaranteeing agency. The first payment on a construction loan shall be not later than 12 months after the date of the first disbursement. (As amended by act approved July 16, 1963.)

Section 5-6. Extension and Modification Agreements.)

(a) When the balance of a loan being repaid under the direct reduction of principal plan does not exceed forty per cent (40%) of the value of the security therefor, and the loan has been reduced by periodical payments over a period of not less than three (3) years to the extent that the unpaid balance does not exceed fifty per cent (50%) of the amount originally secured, the board of directors may agree in writing with the borrower that for a period not to exceed three (3) years, no payments need be made on the unpaid principal amount of the loan; and the loan contract and the security instrument shall not be prejudiced by the making of such extension agreement, even if such an extension was not provided for in the loan contract. However, interest or interest and premium, taxes, assessments, insurance premiums, and other charges which the borrowing member is obligated to pay, shall be paid when due either to or for the benefit of the association. No such extension shall be granted at a time when the association has insufficient funds to pay all withdrawable capital accounts which have matured or have been listed for voluntary withdrawal.

(b) The association at any time may enter into a written agreement with the borrower to modify, in any manner not inconsistent with the provisions of this Act, the terms of a loan as to the amount, time, or method, of the payments to be made, the interest rate, and any other provision of the loan contract; and the loan contract and the security instrument shall not be prejudiced by the making of any such modification, even if such a modification was not provided for in the loan contract.

Section 5-7. Sale, Assignment and Servicing of Loans and Contracts.)

(a) No association shall engage in the mortgage brokerage business; but any association may sell any loan or a participating interest in a loan at any time, in the usual and regular course of business, if the total amount of loans so sold by the association, including such sale, within the calendar year beginning January 1 immediately preceding the date of such sale, does not exceed 20% of the total amount of all loans held by the association at the beginning of such calendar year. All loans sold shall be sold without recourse. The Commissioner may adjust the foregoing limitations upon the sale of loans, upon application showing an emergency need to pay withdrawals, or an emergency need for loans in the community or area of operation in which the association is located, such loans being in greater demand than the association currently is able to meet.

(b) An association may contract to service a loan or a participating interest in a loan originally made by the association and later sold, but such a contract shall conform to the pertinent regulations prescribed by the Commissioner, and shall require sufficient compensation to reimburse the association for all expenses incurred under such contract.

(c) An association may sell and assign without recourse any master's certificate of sale, defaulted loan, or defaulted real estate contract, to any person eligible to purchase the same, for an amount not less than the fair cash market value thereof. (As amended by act approved July 23, 1965.)

Section 5-8. Purchase of Real Estate at Forced Sale.) An association may purchase, at any sheriff's or other judicial sale, either public or private, any real estate upon which the association has any mortgage, lien, or other encumbrance, or in which the association has any other interest. The association thereafter may repair, improve, sell, convey, lease, mortgage, exchange, or otherwise dispose of, real estate so acquired, in the best interests of the association, without limitation.

Section 5-9. Purchase of Real Estate for Office and Rental Purposes.) An association may acquire and hold real estate in fee simple, or lease-holds on which a building or buildings exist or are to be erected, suitable for the transaction of the association's business, and from portions of which, not required for the association's own use, revenue may be derived; or may own all or part of the capital stock, shares, or interest in any corporation, association, or trust, engaged solely in holding all or part of such real estate. However, the amount so invested shall not exceed five per cent (5%) of the association's total assets, unless the Commissioner, upon a proper showing shall approve a larger amount consistent with the needs of the association's business and its immediate future expansion. (As amended by act approved July 23, 1965.)

Section 5-10. Usury Laws Inapplicable.) By reason of the cooperative nature of associations operating under this Act, no interest, premium, or interest on such interest or premium, or charge, which may accrue to an association under the provisions of this Act, shall be deemed to be usurious; and the same may be collected in the same manner as other debts in accordance with the laws of this State.

Section 5-11. Prohibited Loans.) No loan shall be made to a majority permanent reserve shareholder, officer, or director of an association issuing permanent reserve shares, either for himself or as agent, or as partner of another, except upon real estate occupied by such shareholder, officer, or director as a homestead, or upon the security of withdrawable capital; nor shall any loan be made by an association to any corporation of which a majority of the stock is owned or controlled individually or collectively by any one or more of the directors, officers, or majority permanent reserve shareholders

of such association. (As amended by act approved July 11, 1957.)

Section 5-12. Effect of Unauthorized Investments; Liability of Officers.)

(a) Every loan or other investment made in violation of this Act shall be due and payable according to its terms, and the obligation thereof shall not be impaired.

(b) Every director or officer of an association who knowingly shall violate, participate in, or assent to, or who knowingly shall permit any of the officers or agents of the association to make, investments not authorized by this Act, shall be liable individually for all damage which the association or its members sustain in consequence of such violation.

(c) The Commissioner may require every director or officer of an association who knowingly shall violate, participate in, or assent to, or who knowingly shall permit any of the officers or agents of the association to make investments not authorized by this Act, to deposit with the association an indemnity bond, insurance, or collateral of a kind and amount sufficient to indemnify the association against damages which the association or its members may sustain in consequence of such violation. The amount considered sufficient to indemnify the association shall, in the case of an unauthorized investment, be the difference between the book value and the market value of the investment at the time the Commissioner makes his determination that such investment is unauthorized. The amount considered sufficient to indemnify the association, in the case of an unauthorized loan shall be the difference between the book value of the loan and the amount that could have been made under the provisions of this Act. Whenever an unauthorized investment has been sold or disposed of without recourse, the Commissioner shall release all or such part of the indemnity after deducting any loss. Whenever the balance of an unauthorized loan has been reduced to an amount which would permit such loan to be made under the provisions of this Act, the indemnity shall be released; provided that the Commissioner in making such determination may require an independent appraisal of the security. (As amended by act approved July 23, 1965.)

Section 5-13. Appraisals.)

(a) Every appraisal or reappraisal of property which an association is required to make shall be made as follows:

(1) By an independent qualified appraiser designated by the board of directors; or

(2) By the association's appraisal committee appointed by the board of directors; or

(3) In the case of an insured or guaranteed loan, by any appraiser appointed by any lending, insuring, or guaranteeing agency of the United States or the State of Illinois, which shall insure or guarantee such loan, wholly or in part.

(b) Each appraisal shall be in writing with a certificate signed by the appraiser or appraisers, stating that he or they have personally examined the described property, setting forth the value of the land, and the nature and value of the improvements, if any; which appraisal shall be filed and preserved by the association.

Section 5-14. Acknowledgments.) No acknowledgment of a deed, mortgage, or other instrument shall be invalid because such acknowledgment was taken before an officer authorized by the laws of this State to acknowledge conveyances, who is also a member, director, employee, or officer of an association which is a party to such deed, mortgage, or other instrument.

ARTICLE 6—Voluntary Corporate Changes.

Section 6-1. Amendment of Articles of Incorporation.) An association may amend its articles of incorporation from time to time, in accordance with the procedure prescribed in this article; but the articles, as amended, shall conform to all legal requirements which pertain to original articles adopted at the time of such amendment. Any number of amendments may be submitted to the members, and voted upon by them, at one meeting.

Section 6-2. Procedure to Amend Articles of Incorporation.) The procedure to effect an amendment of articles of incorporation shall be as follows:

(a) The board of directors shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of the members, which may be an annual or a special meeting.

(b) The proposed amendment, or a summary of the changes to be effective thereby, shall be set forth in the notice of meeting mailed as prescribed in the section of this Act concerning Members' Meetings.

(c) The proposed amendment will be adopted upon receiving, in the affirmative, two-thirds or more of the total number of votes which all members of the association are entitled to cast, except that an amendment effecting a retirement of all permanent reserve capital must receive the vote specified in the section of this Act concerning Retirement or Reduction of Permanent Reserve Capital. A report of proceedings, verified by the president or a vice-president and attested by the secretary and setting forth the notice given and time of mailing thereof, the amendment adopted, the vote thereon, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed promptly with the Commissioner.

(d) Each adopted amendment shall be subject to the same inquiry by the Commissioner as the corresponding provision in original articles of incorporation, including (but not limited to) the availability of a proposed new name of the association. If the Commissioner approves an amendment,

he shall issue to the association a certificate setting forth the amendment and his approval thereof. The amendment shall become effective when such certificate is recorded in the same manner as the association's articles of incorporation.

(e) No amendment of articles of incorporation shall affect any existing cause of action either in favor of or against the association, or any pending action in which the association shall be a party, or the existing rights of persons other than members of the association; and if the amendment has changed the name of the association, no action brought by or against the association under its former name shall be abated for that reason. (As amended by act approved July 23, 1965.)

Section 6-3. Existing Association — Adoption of Articles and By-laws.) Any existing association the by-laws of which contain provisions enumerated in the section of this Act concerning Contents of Articles of Incorporation, at an annual or special meeting may amend its present charter, articles of incorporation, certificate of complete organization, or other instruments concerning organization, by adopting articles of incorporation containing the provisions enumerated in said section. Such adoption shall repeal the existing by-laws of the association without further action, and the board of directors shall adopt new by-laws in accordance with the provisions of this Act. The procedure to be followed in adopting or amending articles of incorporation shall be that prescribed in the preceding section.

Section 6-4. Merger — Adoption of Plan.) Any two or more associations operating under this Act or under Federal charter and located in this State may merge into one association operating under this Act. The board of directors of each merging association, by resolution adopted by a majority vote of all members of such board, must approve the plan of merger, which shall set forth:

(a) The name of each of the merging associations, and the name of the continuing association and the location of its business office;

(b) The amount of capital, reserves, and undivided profits of the continuing association, and the kinds of shares and other types of capital to be issued thereby;

(c) The articles of incorporation of the continuing association;

(d) A detailed pro forma financial statement of the assets and liabilities of the continuing association;

(e) The manner and basis of converting the capital of each merging association into capital of the continuing association;

(f) The other terms and conditions of the merger and the method of effectuating the same;

(g) Such other provisions with respect to the merger as appear necessary or desirable, or as the Commissioner may reasonably require to enable

him to discharge his duties with respect to such merger. (As amended by act approved July 23, 1965.)

Section 6-5. Merger — Approval by Commissioner.)

(a) The plan of merger adopted as aforesaid shall be submitted to the Commissioner for approval, together with a certified copy of the authorizing resolution of each board of directors, showing approval by a majority of the entire board of each merging association operating under this Act and evidence of proper action by the board of any merging Federal association.

(b) The Commissioner may make or cause to be made an examination of the affairs of each of the merging associations.

(c) The Commissioner shall approve the plan of merger if, after appropriate inquiry into the affairs of each of the merging associations, he finds that:

(1) The continuing association meets the requirements of this Act as to the organization of a new association;

(2) The plan provides an adequate capital structure;

(3) The plan is fair to all persons affected; and

(4) The plan meets the approval of the insurance corporation, if such approval is required.

(d) If the Commissioner disapproves the plan of merger, he shall state his objections in writing and give the merging associations an opportunity to amend the plan of merger, to obviate such objections. (As amended by act approved July 23, 1965.)

Section 6-6. Merger—Approval by Members.) After approval by the Commissioner, the plan of merger shall be submitted to a vote of the members of each merging association. Each meeting of the members of an association operating under this Act shall be called and held in accordance with the section of this Act concerning Members' meetings. The plan will be approved by the members of an association if the plan receives, in the affirmative, $\frac{2}{3}$ or more of the total number of votes which all members of the association are entitled to cast. Each meeting of a Federal association shall be called and held, and the required majority must be obtained, in accordance with the applicable Federal law and regulations. (As amended by act approved July 23, 1965.)

Section 6-7. Merger—Commissioner's Certificate; Effective Date.)

(a) A report of proceedings at the meeting of the members of each association, certified by the president or a vice-president and attested by the secretary thereof, and setting forth the notice given and time of mailing thereof, the vote on the plan of merger, and the total number of votes which all members of the association were entitled to cast thereon,

shall be filed in duplicate with the Commissioner, together with the plan of merger, duly executed by each merging association. The Commissioner thereupon shall issue to the continuing association a certificate of merger, setting forth the name of each merging association and the name of the continuing association, and the articles of incorporation of the continuing association; and attaching thereto, as a part thereof, a copy of the report of proceedings filed as aforesaid by each merging association.

(b) The merger shall become effective upon the recording of the certificate of merger in the same manner as articles of incorporation, in each county in which the business office of any of the merging associations was located, and in the county in which the business office of the continuing association is located.

(c) When duly recorded as aforesaid, the certificate of merger shall be conclusive evidence, except against the State, of the merger and of the correctness and validity of all proceedings in connection with the merger. (As amended by act approved July 23, 1965.)

Section 6-8. Merger—Commissioner's Expenses.) The expenses of any examination made by or at the direction of the Commissioner in connection with a proposed merger shall be paid by the merging associations. (As amended by act approved July 23, 1965.)

Section 6-9. Effect of Merger.)

(a) The continuing association shall be considered the same business and corporate entity as each merging association, with all of the property, rights, powers, duties, and obligations of each merging association, except as otherwise provided by the articles of incorporation of the continuing association.

(b) All liabilities of each of the merging associations shall be liabilities of the continuing association; and all of the rights, franchises, and interests of each of the merging associations in and to every kind of property, real, personal or mixed, shall vest automatically in the continuing association, without any deed or other transfer.

(c) Any reference to a merging association in any writing, whether executed or effective before or after the merger, shall be deemed a reference to the continuing association, if not inconsistent with the other provisions of such writing.

(d) No pending action or other judicial proceeding to which any merging association is a party shall be abated or discontinued by reason of the merger, but may be prosecuted to final judgment, order or decree in the same manner as if the merger had not occurred.

Section 6-10. Sale of All Assets.) An association, in one transaction not in the usual and regular course of its business, may sell all or substantially all of its assets, with or without its name and good-

will, to another association or to a Federal association, in consideration of money, capital, or obligations of the purchasing association.

Section 6-11. Procedure to Effect Sale of All Assets.) The procedure to effect a sale authorized by the foregoing section shall be as follows:

(a) The board of directors shall adopt a resolution setting forth the terms of the proposed sale and directing the submission thereof to a vote at a meeting of the members, which may be an annual or special meeting.

(b) The said terms shall be set forth in the notice of meeting mailed as prescribed in the section of this Act concerning Members' Meetings.

(c) The proposed sale will be approved by the members upon receiving in the affirmative, two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast. A proposal for the voluntary liquidation of the association shall be submitted to the members at the same meeting or at any adjournment thereof, or at any later meeting called for such purpose, in accordance with the article of this Act concerning Voluntary Liquidation. A report of proceedings, certified by the president or a vice-president and attested by the secretary, and setting forth the terms of the proposed sale, the notice given and time of mailing thereof, the vote on the proposal, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed with the Commissioner.

(d) If the Commissioner finds that the proposed sale is fair to all holders of capital, creditors and other persons concerned, and provision has been made for the disposition of the remaining assets, if any, of the association as provided in this Act for reorganization or voluntary liquidation, then he shall issue to the association a certificate of authorization for such sale, attaching thereto, as a part thereof, a copy of the report of proceedings filed as aforesaid.

(e) Upon recording said Commissioner's certificate in the same manner as the association's articles of incorporation, the association may complete the sale so authorized: except that an insured association first shall obtain the approval of the insurance corporation.

(f) If the sale includes the name of the association, the purchasing association shall have the exclusive right to such name for a period of five (5) years.

(g) If the association has failed to adopt a plan of voluntary liquidation, the Commissioner may proceed against such association as provided in the article of this Act concerning Involuntary Liquidation. (As amended by act approved July 23, 1965.)

Section 6-12. Conversion from State to Federal Association.) Any association operating under this Act may become a Federal association pursuant to the laws and regulations of the United States and in accordance with the following procedure:

(a) The board of directors shall approve a plan of conversion by resolution adopted by majority vote of all of the directors. The plan shall set forth, among other terms:

(1) A financial statement of the association as of the last business day of the month preceeding the adoption of the plan;

(2) The disposition of withdrawable capital and permanent reserve capital, if any;

(3) Adjustments, if any, in the value of the withdrawable accounts when exchanged for comparable accounts in the Federal association;

(4) The disposition of any segregated surplus established under the provisions of the section of this Act concerning Permanent Reserve Shares—Rights of Existing Shareholders;

(5) The disposition of any obligations, or liabilities.

Such plan and resolution shall be submitted to the Commissioner at least 15 days prior to the members' meeting at which action of members is to be taken.

(b) If the plan of conversion provides for (1) no adjustment in the withdrawable capital accounts of members; and (2) all obligations and liabilities to be assumed by the Federal association, then the Commissioner's approval of the plan of conversion shall not be required.

(c) If the plan of conversion adjusts values of any type of capital, or if the association has a segregated surplus, such plan of conversion shall be subject to the approval of the Commissioner. Approval shall be given in such case if the Commissioner finds that the plan is equitable and protects the rights of all persons affected, including such contingent interests as theretofore may have been created in the segregated surplus, if any.

(d) After receipt of such approval from the Commissioner, if required, the plan of conversion may be submitted at an annual or special meeting of the members. The plan will be adopted upon receiving, in the affirmative two-thirds or more of the total number of votes which all members of the association are entitled to cast. A report of proceedings at such meeting, certified by the president or a vice-president and attested by the secretary, shall be filed promptly with the Commissioner.

(e) Within 90 days after the date of such meeting, the association shall take the action prescribed and authorized by the laws and regulations of the United States to complete its conversion to a Federal association.

(f) Upon receipt of a Federal charter, the association shall file promptly with the Commissioner either a copy of said charter or a certificate of the appropriate Federal officers setting forth the facts concerning the issuance of such charter; and upon recording said charter in the same manner as the association's articles of incorporation, the association shall cease to be an association operating under this Act. (As amended by act approved July 23, 1965.)

Section 6-13. Conversion from Federal to State Association.) Any Federal association may become an association operating under this Act, pursuant to the laws and regulations of the United States and in accordance with the following procedure:

(a) The board of directors shall adopt a plan of conversion, which shall set forth, among other terms, the provisions required in Sub-section (a) of the preceeding section of this Act. Such plan and resolution shall be submitted to the Commissioner.

(b) If the Commissioner, after appropriate examination, shall find that the association complies sufficiently with the requirements of this Act to entitle it to become an association operating under this Act, he shall approve the plan of conversion. However, he may prescribe terms and conditions, to be fulfilled either prior to or after the conversion, to cause the association to conform with the requirements of this Act.

(c) After receipt of the Commissioner's approval, the plan of conversion may be submitted at an annual or special meeting of the members; and the plan will be adopted upon receiving, in the affirmative two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast. Thereupon, such action shall be taken to adopt articles of incorporation, to elect directors, to adopt by-laws, and to elect officers, as is prescribed for a new association in the article of this Act concerning Incorporation and Organization. A report of proceedings at such meeting, certified by the president or a vice-president and attested by the secretary, shall be filed promptly with the Commissioner.

(d) If the Commissioner finds that such proceedings have been in accordance with the provisions of this section, he shall issue a certificate of conversion, setting forth the articles of incorporation and attaching, as a part of the certificate, a copy of the report of proceedings filed as aforesaid.

(e) The conversion shall become effective upon the recording of the certificate of conversion in the manner required by this Act for the recording of articles of incorporation. (As amended by act approved July 23, 1965.)

Section 6-14. Effect of Conversion.) When an association effects a conversion in accordance with either of the two preceding sections, the corporate existence of such association shall not be interrupted; but the identity of the association shall continue, together with all of the obligations and liabilities of the association; and all of its rights, franchises, and interests in and to every kind of property, real, personal or mixed, shall continue without the necessity of a deed or other transfer. Any reference to the association before conversion, contained in any writing, whether executed or effective before or after the conversion, shall be deemed a reference also to the association after conversion, if not inconsistent with the other provisions of such writing. No pending action or other judicial pro-

ceeding to which the association is a party shall be abated or discontinued by reason of such conversion, but the same may be prosecuted to final judgment, order, or decree in the same manner as if such conversion had not occurred.

ARTICLE 7—Supervision.

Section 7-1. Office of the Savings and Loan Commissioner.) There is created an agency of the State which shall be known as the office of the Commissioner of Savings and Loan Associations and which shall have an officer of the State at its head who shall be known as the Commissioner of Savings and Loan Associations. The Commissioner shall maintain an office in Springfield, in rooms provided by the Secretary of State and may in his discretion and with the approval of the Governor, establish and maintain, at places other than the seat of government, additional offices for the conduct of any one or more of the functions of his office. (As amended by act approved July 23, 1965.)

Section 7-1.1. Appointment.) The Commissioner shall be a person with knowledge of savings and loan theory and practice. He shall be appointed by the Governor, by and with the advice and consent of the Senate. In case of vacancies in such office during the recess of the Senate, the Governor shall make a temporary appointment until the next meeting of the Senate, when he shall nominate some person to fill such office; and any person so nominated, who is confirmed by the Senate, shall hold his office during the remainder of the term and until his successor shall be appointed and qualified. If the Senate is not in session at the time of this Act, or any amendments thereto, take effect, the Governor shall make a temporary appointment as in the case of a vacancy. The term of office of the Commissioner shall begin on July 1, 1965, or the effective date of the amendment to this Act and shall expire on July 1, 1970. Each subsequent term of a Commissioner shall be for 5 years expiring in each case on July 1. The Commissioner shall receive an annual salary of \$22,200 payable monthly and shall be reimbursed for the actual and necessary expenses in carrying out the duties of his office. (As amended by act approved July 23, 1965.)

Section 7-1.2. Transfer of Personnel, Records, Files, Actions, and Duties, etc.)

(a) The employees for whom the Supervisor of Savings and Loan Associations is responsible in the Department of Financial Institutions on the effective date of the enactment of the amendments to this section shall be transferred to the Office of the Savings and Loan Commissioner in the same position, status, and pay grades including, without limitation, the continuance of any vacation pay, sick leave, pensions, or other benefits to which they would otherwise be entitled. Thereafter, the Commissioner shall appoint subject to applicable provisions of the Personnel Code a supervisor, such examiners, em-

ployees, experts and special assistants as may be necessary to carry out effectively the provisions of this Act.

(b) All books, records, files, equipment, correspondence, documents or other papers and pending business or matters in any way pertaining to the rights, powers and duties of the Director of Financial Institutions in the administration of the Savings and Loan Act presently assigned to the Savings and Loan Division, shall be delivered and transferred to the Office of the Savings and Loan Commissioner. Such transfer shall not affect any act done, ratified, or confirmed, or any right accrued or established, or affect or abate any action or proceeding had or commenced in a civil or criminal cause before this Act takes effect; but such actions or proceedings may be prosecuted and continued by the Commissioner or Board as the case may be.

(c) The Commissioner shall have the following duties and powers:

(1) To exercise the rights, powers and duties set forth in this Act or in any other related act.

(2) To establish such regulations as may be reasonable or necessary to accomplish the purposes and provisions of this Act.

(3) Direct and supervise all the administrative and technical activities of this office, and create an Advisory Committee which upon request will make recommendations to him.

(4) Make an annual report regarding the work of his office as he may consider desirable to the Governor, or as the Governor may request. (As amended by act approved July 23, 1965.)

Section 7-1.3. Prohibited Activity.) Neither the Commissioner, nor any supervisor, nor any examiner shall be an officer, director, owner, or permanent reserve shareholder in any savings and loan association incorporated under this Act, either directly or indirectly; however, ownership of withdrawable capital accounts or shares in savings and loan associations shall not be deemed to be prevented hereby. If the Commissioner or any supervisor, or examiner, shall be a permanent reserve shareholder in any savings and loan association incorporated under this Act, either directly or indirectly, at the time of his appointment, he shall dispose of his shares of stock or other evidences of ownership or property within one hundred twenty (120) days from the date of his appointment. It shall be unlawful for the Commissioner, any supervisor or examiner to obtain any loan other than a loan secured by withdrawable capital or shares, or accept any gratuity from any savings and loan association incorporated under this Act. If any other employee of the Commissioner borrows from or becomes indebted in an aggregate amount of \$2,500.00 or more to any savings and loan association incorporated under this Act, he shall make a written report to the Commissioner stating the date and amount of such loan or indebtedness, the security therefor, if any, and the purpose or purposes for which proceeds have been or are to be used. (As amended by act approved July 23, 1965.)

Section 7-2. Examination.)

(a) The Commissioner, at least once in each year, without previous notice, shall cause an examination to be made of the affairs of every association. Such examination shall be made by competent examiners appointed for that purpose, who are not officers or agents of, or in any manner interested in, any association which they examine, except that they may be holders of withdrawable capital.

(b) The officers, agents, or directors of any such association shall cause the books of the association to be opened for inspection by the Commissioner or his examiners and otherwise assist in such examination when requested; and for the purpose of examination, the examiner in charge thereof shall have power to administer oaths and to examine under oath any officers, employees, agents, or directors of such association and such other witnesses as he deems necessary relative to the business of the association.

(c) The Commissioner shall make a report of each examination to the board of directors of the association examined, and if the affairs of the association are not being conducted in accordance with this Act, he may require the directors, officers, or employees to take any necessary corrective action. If the necessary corrective action is not made the Commissioner may issue a formal order to the directors of the association delivered either personally or by registered or certified mail, specifying a date which may be immediate or may be at a later date for the performance by the association of the corrective action. Such order or any part thereof shall be subject to the provisions of the sections of this Act relating to hearings and appeals from decisions, orders, or actions of the Commissioner. If the formal order of the Commissioner in whole or in part contains a finding that the violation thereof or the continuance by the association of the practice to be corrected could cause insolvency or substantial dissipation of assets or earnings or the impairment of its capital, such order or part thereof shall be complied with promptly on and after the effective date thereof until modified or withdrawn by the Commissioner, the Board, or modified or terminated by a court of proper jurisdiction. The Commissioner may apply to the Circuit Court of the County in which the association is located for enforcement of any such order requiring prompt compliance. If no hearing has been requested within the time specified by this Act, the Commissioner may at any time within 90 days after the effective date of the order institute suit in the Circuit Court of Sangamon County or the circuit court of the county in which the association is located to compel the directors, officers or employees to make the required corrective action. Such court shall have power and shall, after due process of law, adjudicate the question and enter the proper order or orders and enforce the same. In the interests of the members of the association, the Commissioner may prepare a statement of the condition of the association, and may mail the same to the members or may require a single publication thereof. (As amended by act approved July 23, 1965.)

Section 7-3. Audit by Public Accountant.) The Commissioner may approve in writing the appointment by the board of directors of a licensed public accountant to audit the books of the association at least once in each year, without previous notice; and the Commissioner may prescribe the scope of such audit within generally accepted auditing principles, and may require the filing of a copy of such audit with the Commissioner. (As amended by act approved July 23, 1965.)

Section 7-4. Reports to Commissioner and Members—; Penalty.)

(a) Every association operating under this Act shall file with the Commissioner within sixty (60) days following the close of each fiscal year of such association, a statement showing its financial condition at the close of the fiscal year and its operations for the year then ended. Each such statement shall be on forms prescribed by the Commissioner and in conformity with generally accepted accounting principles, and shall be verified by the secretary and certified by (1) a committee of three or more members who are not officers of the association; or (2) a licensed public accountant appointed by the board of directors; or (3) two officers of the association, if a licensed public accountant has been appointed to audit the books and records of the association as provided in the preceding section of this Act.

(b) An association shall file with the Commissioner a report of change of ownership of permanent reserve shares when such change of ownership results in any person as defined by this Act holding 10% or more through any one transaction or related series of transactions, of the outstanding permanent reserves shares of the association. Such report shall include owners who hold as beneficiaries or through nominees as well as in their own names. The report shall be made within 5 business days after knowledge of such change has been obtained by the officer authorized or required to make reports to the Commissioner. The Commissioner also may require any such person owning 10% or more of permanent reserve shares to report the beneficiary or beneficiaries for whom he is holding title.

Whenever there is a change in the managing officer of an association or a change amounting to a majority of the directors of an association elected at a regular or special meeting of the members, such change shall likewise be reported within 5 business days to the Commissioner.

The willful failure by any person required to report or disclose change of ownership or control as defined in this subsection shall constitute a felony and, upon conviction, such person shall be imprisoned for a term of not less than one year nor more than 5 years.

Every association shall file also such other reports as the Commissioner may require from time to time.

(c) Within sixty (60) days after the date of such statement, the association either shall mail to each member the annual statement of condition, or a condensed form thereof approved by the Commissioner, or shall publish the same at least once. (As amended by act approved July 23, 1965.)

Section 7-5. Commissioner's Report to the Governor.) The Commissioner shall prepare and transmit to the Governor of this State a condensed annual report of the financial condition of all associations operating under this Act, and may cause a copy of such report to be printed and circulated. (As amended by act approved July 23, 1965.)

Section 7-6. Information to Federal Authorities.) The Commissioner may give copies of reports of his examinations of an association, and copies of the association's reports to him, and any other information which he has concerning the association, to the Federal Home Loan Bank (or its successor instrumentality) of which the association is a member, or to the insurance corporation which has insured the association's capital; but no such action by the Commissioner shall relieve the association from compliance with any requirements of such Federal institution concerning examinations or reports, or limit the Commissioner's powers to examine or to require reports from the association. (As amended by act approved July 23, 1965.)

Section 7-7. Procedure Upon the Impairment of Permanent Reserve Capital.) If the Commissioner finds, from a report or examination of an association, that the permanent reserve capital is impaired, he shall direct whichever of the following procedures is appropriate:

(a) The board of directors either (1) shall require the permanent reserve shareholders to contribute an amount at least sufficient to eliminate the impairment; or (2) shall reduce the par value of the permanent reserve capital in at least the amount of the impairment and allocate such reduction to undivided profits or reserves to absorb the loss which created the impairment.

(b) If such impairment causes the book value of the permanent reserve capital to be less than the amount of minimum initial permanent reserve capital which the association, if it were being newly authorized to issue such capital, would be required to issue under the provisions of the section of this Act concerning Permanent Reserve Shares—Authorization of Issuance; Minimum Amount, then the board of directors shall require the permanent reserve shareholders to contribute the amount necessary to make up the difference. If any permanent reserve shareholder, within 30 days after notice to contribute has been mailed to him, shall neglect or refuse to pay his proportionate contribution, the board of directors shall cause a sufficient amount of such holder's permanent reserve shares to be sold at public auction. Not less than 20 days before the date of such sale, notice thereof shall be posted in

the business office of the association, and shall be published. Any proceeds of such sale in excess of such proportionate contribution shall be returned to the shareholder. (As amended by act approved July 23, 1965.)

Section 7-8. Commissioner's Authority to take Custody.) The Commissioner in his discretion may take custody of the books, records and assets of every kind and character of any association, trust, or association in liquidation, for any of the purposes hereinafter enumerated, if it appears from reports made to the Commissioner, or from examination made by or on behalf of the Commissioner:

(a) That the directors, officers, trustees, or liquidators have neglected, failed or refused to take any action which the Commissioner may deem necessary for the protection of the association or trust, or have impeded or obstructed an examination; or

(b) That the withdrawable capital of the association is impaired to the extent that the realizable value of its assets is insufficient to pay in full its creditors and holders of its withdrawable capital; or that its permanent reserve capital is impaired; or

(c) That the association is unable to continue operation; or

(d) That the business of the association, trust, or association in liquidation is being conducted in a fraudulent, illegal, or unsafe manner; or

(e) That the officers, employees, trustees, or liquidators have continued to assume duties or perform acts without giving bond as required by the provisions of this Act.

Unless the Commissioner finds that an emergency exists which may result in loss to members or creditors and requires that he take custody immediately, he first shall give written notice to the directors, trustees, or liquidators specifying the conditions criticized and state a reasonable time within which correction may be made. (As amended by act approved July 23, 1965.)

Section 7-9. Purposes of Taking Custody.) The purposes of taking such custody of an association or trust may be examination; further examination; conserving of its assets; restoration of impaired capital; the making of any necessary or equitable adjustment deemed necessary by the Commissioner under any plan of reorganization; or liquidation; or the maturing of the obligation of the insurance corporation. (As amended by act approved July 23, 1965.)

Section 7-10. Commissioner's Powers During Custody.) During the period in which the Commissioner has such custody, the Commissioner has all powers which are necessary or appropriate to accomplish the purposes of taking custody, including (but not limited to) the authority:

(a) To operate the business of the association, except as limited by the other subsections of this

section; exercising for that purpose all of the rights, powers, and privileges possessed by the officers and directors, liquidators, or trustees;

(b) To permit withdrawals to be made in accordance with the provisions of this Act in such proportionate amounts among holders of withdrawable capital as the Commissioner considers advisable to safeguard the interests of all of the holders of withdrawable capital;

(c) To accept payments on withdrawable capital as provided in the section of this Act concerning Segregation of Collections During Custody;

(d) Without appointment of a receiver but upon order of a court of competent jurisdiction, or with the concurrence of at least two-thirds of the directors, to:

(1) Make investments, as provided in Article 5 of this Act;

(2) Make and execute agreements with the insurance corporation or with any other financial institution for the payment or assumption of the association's liabilities in whole or in part;

(3) Borrow money, as provided in the section of this Act concerning Power to Borrow;

(4) Sell, convey, transfer, pledge, or assign assets as security or otherwise;

(5) Sell or compromise bad or doubtful debts of the association;

(6) Make or give guaranties appropriate to any of the transactions specified in this subsection (d);

(e) To call meetings of the members, directors, liquidators, or trustees to consider and act upon matters within their respective authority as provided in this Act; but without prejudice to the Commissioner's powers conferred by this section. (As amended by act approved July 23, 1965.)

Section 7-11. Custody of Insured Associations.) If an association of which the Commissioner takes custody under authority of this article is an insured association, the Commissioner, in addition to powers conferred above, is authorized to:

(a) Forthwith notify the insurance corporation of such custody, his reasons therefor, and as soon as practicable, furnish the insurance corporation with a copy of the Commissioner's report of examination and condition of the association.

(b) Permit the insurance corporation to submit any plan or proposal for the reorganization, merger, or liquidation of the association which it may deem feasible.

(c) Determine and declare the association to be in default, and to find from his examination and report the amount of the members' insured withdrawable capital, and to make any necessary orders, finding and determinations which may be required for the purpose of making the insurance available to the members. (As amended by act approved July 23, 1965.)

Section 7-12. Notice of Custody; Action to Enjoin.)

Immediately upon taking custody of an association or trust, the Commissioner shall mail a written notice thereof to the president or secretary and not less than 2 directors of such association, or to 2 or more of the trustees of any trust, or 2 or more of the liquidators of an association in liquidation. If the contention is made that the Commissioner has no legal grounds for taking custody of the association or trust, the directors or officers of the association or the trustees or liquidators thereof, as the case may be, at any time within 10 days after the mailing of such notice, or within such further periods of time as the Commissioner may extend, but not to exceed an additional 60 days, may file a complaint in the Circuit Court of Sangamon County, Illinois or in the circuit or superior court of the county in which the association is located, to enjoin further custody. The court thereupon shall cite the Commissioner to show cause why further custody should not be enjoined. If upon a hearing thereon, the court finds that such grounds did not or do not then exist, it may enter an appropriate order in accordance with the findings of fact, or an order enjoining the Commissioner or any appointees acting under his direction from further custody. (As amended by act approved July 23, 1965.)

Section 7-13. Segregation of Collections During Custody.) All payments received on withdrawable capital on members' unpledged shares or accounts during custody of the association by the Commissioner shall be segregated in a separate account until the association shall be redelivered to the directors or to trustees or liquidators or delivered to a receiver. Any member whose payments have been so segregated may request the return of such payments, and the Commissioner shall repay the same without interest or dividends. Before delivery of the association or its assets to any liquidators or to a receiver, the Commissioner shall return the money so collected from members and so segregated. (As amended by act approved July 23, 1965.)

Section 7-14. Redelivery of Possession.) If after examination of the association and consideration of all conditions affecting its affairs, the Commissioner finds that the cause or causes for taking custody have been removed, he shall relinquish custody of the association and redeliver the same and all assets, books and records thereof to the directors of the association or to the trustees or liquidators qualified to accept the same. (As amended by act approved July 23, 1965.)

Section 7-15. Limitations Upon Custody.) The custody of an association by the Commissioner may be continued for a reasonable period not to exceed six (6) months, unless further extension shall be agreed upon by a vote of two-third ($\frac{2}{3}$) of the directors of the association or upon application for such extension and by order entered in a court of competent jurisdiction. (As amended by act approved July 23, 1965.)

Section 7-16. Expenses and Fees.)

(a) The reasonable expense of any examina-

tion or investigation or custody by the Commissioner under any provision of this Act, shall be borne by the association or trust.

(b) Except as to fees which are fixed by this Act, the Commissioner by regulation may prescribe reasonable fees for filing reports and other documents, furnishing transcripts, holding hearings, applications for permits to organize and investigations thereof, and for the taking of any other action for which he incurs expense. (As amended by act approved July 23, 1965.)

Section 7-17. Savings and Loan Board—Appointment.) The Savings and Loan Board shall be composed of seven (7) persons who shall be appointed by the Governor. Four of such persons shall be actively engaged in commerce, agriculture or some industrial pursuit in this State other than banking or financing. Three of such persons shall have been engaged actively in savings and loan management in this State for at least five (5) years immediately prior to appointment. Each member of the Board shall receive a compensation of \$50 per day for each day actually and necessarily consumed in the performance of the duties of his office and in addition thereto shall be paid the necessary expenses in the performance thereof. Initially four of such persons shall be appointed to serve until the third Monday in January 1967 and three of such persons shall be appointed to serve until the third Monday in January 1969. As terms of appointment expire, successors shall be appointed for terms to expire the third Monday in January four years thereafter. All members of the Board shall serve until their respective successors are appointed and qualified. The Governor shall fill any vacancy by the appointment of a member for the unexpired term of such member in the same manner as in the making of original appointments. (As amended by act approved July 23, 1965.)

Section 7-18. Savings and Loan Board—Organization and Meetings.) The Board shall elect a chairman, vice-chairman, and secretary; shall adopt regulations for the holding and conducting of meetings and for holding hearings concerning all matters within its powers; and shall keep a record of all meetings and transactions, and make such other provisions for the daily conduct of its business as it deems necessary. A majority of the members of the Board shall constitute a quorum. The act of the majority of the members of the Board present at a meeting at which a quorum is present shall be the act of the Board. Regular meetings shall be held as provided in the regulations, and special meetings may be called by the Chairman or upon the request of any three (3) members of the Board or the Commissioner. The Board shall maintain at the office of the Commissioner permanent records of its meetings, hearing, and decisions. The Commissioner shall provide adequate quarters and personnel for use by the Board. (As amended by act approved July 23, 1965.)

Section 7-19. Savings and Loan Board—Powers.) The Board shall have the following powers:

(a) To consider, hold public or private hearings, and act upon appeals from any order, decision, or action of the Commissioner by any aggrieved person except as otherwise specifically provided in this Act.

(b) To advise the Governor and the Commissioner upon appointments and employment of personnel in connection with the supervision of savings and loan associations.

(c) To advise the Governor on legislation proposed to amend the Savings and Loan Act or any related Act. (As amended by act approved July 23, 1965.)

Section 7-20. Proceedings on Objections to Commissioner's Action.) Except as otherwise specifically provided by this Act, any person who deems himself aggrieved by any decision, order, or action of the Commissioner may receive a hearing as provided in Sections 7-21 through 7-24 of this Act. (As amended by act approved July 23, 1965.)

Section 7-21. The Board shall upon the verified complaint in writing of any person setting forth facts which if proved would constitute grounds for reversal or change of any decision, order or action of the Commissioner grant a hearing thereon. If the aggrieved party desires such a hearing, he shall, within 10 days of receipt of notice of such decision, order or action, file written notice with the Board of intent to demand a hearing and shall, within 30 days of receipt of notice of such decision, order or action, file his verified complaint in writing. The date of such hearing shall not be earlier than 15 days nor later than 30 days after the date of receipt of verified complaint in writing. The Board shall, at least 10 days prior to the date set for the hearing, notify in writing the person adversely affected by such decision, order or action, hereinafter called the respondent and all other parties to the action, that a hearing will be held on the date designated and shall afford the respondent and all other parties to the action an opportunity to be heard in person or by counsel in reference thereto. Such written notice may be served by delivery of the same personally to the respondent and all other parties to the action, or by mailing the same by registered or certified mail to the place of business last theretofore specified by the respondent and all other parties to the action in the last notification to the Board. At the time and place fixed in the notice, the Board or its authorized agent, hereafter referred to as the hearing officer, shall proceed to hear the charges and both the respondent and all other parties to the action and the complainant shall be accorded ample opportunity to present in person or by counsel such statements, testimony, evidence and argument as may be pertinent to the issues. The hearing officer may continue such hearing from time to time.

The hearing officer is authorized to subpoena any person in this State and to take testimony either orally or by deposition or by exhibit, with the same fees and mileage and in the same manner as pre-

scribed by law in judicial procedure in civil cases in circuit courts of this State.

The hearing officer may administer oaths to witnesses at any hearing which the hearing officer is authorized by law to conduct.

After the hearing, the Board shall make a determination approving, modifying, or disapproving the decision, order, or action of the Commissioner as its final administrative decision. (As amended by act approved July 23, 1965.)

Section 7-22. The Board, at its expense, unless otherwise provided in this Act, shall provide a stenographer to take down the testimony and preserve a record of all proceedings at the hearing. The notice of hearing, complaint and all other documents in the nature of pleadings and written motions filed in the proceedings, the transcript of testimony, the report of the hearing officer and orders of the Board shall be the record of such proceedings. The Board shall furnish a transcript of such record to any person interested in such hearing upon payment of the actual cost thereof.

A copy of the hearing officer's report and the Board's orders shall be served upon the respondent and all other parties to the action by the Board, either personally or by registered or certified mail as provided in this Act for the service of the notice of hearing. (As amended by act approved July 23, 1965.)

Section 7-23. All subpoenas issued under the laws of this State pertaining to Savings and Loan Associations may be served by any person who is not a minor. The fees of witnesses for attendance and travel shall be the same as fees of witnesses before the Circuit Courts of this State, such fees to be paid at the time the witness is excused from further attendance, when the witness is subpoenaed at the instance of the Board or the Commissioner or any officer or any employee designated by him or it for the purpose of conducting any such investigation, inquiry or hearing; and the disbursements made in the payment of such fees shall be audited and paid in the same manner as are other expenses of the Savings and Loan Board or Commissioner. Whenever a subpoena is issued at the instance of a Complainant, respondent or other party to any proceeding the Board may require that the cost of service thereof and the fee of the same shall be borne by the party at whose instance the witness is summoned, and the Board or Commissioner shall have power, in his or its discretion, to require a deposit to cover the cost of such service and witness fees and the payment of legal witness fees and mileage to the witness when served with subpoena. A subpoena issued as aforesaid shall be served in the same manner as a subpoena issued out of a court of record.

Any person who shall be served with a subpoena to appear and testify, or to produce books, papers, accounts or documents, either in person or by deposition, in the manner provided in this section, issued by the Board or Commissioner or by any officer, or any employee designated by him or it to conduct any such investigation, inquiry, or hearing,

in the course of an investigation, inquiry or hearing conducted under any of the provisions of the laws of this State pertaining to Saving and Loan Associations, and who shall refuse or neglect to appear, or to testify, or to produce books, papers, accounts and documents relative to said investigation, inquiry or hearing as commanded in such subpoena, shall be guilty of a misdemeanor, and upon conviction thereof, shall be punishable by a fine of not more than \$200.00.

Any Circuit Court of this State, or any judge thereof, either in term time or in vacation, upon application of the Board or Commissioner, or an officer, or an employee designated by him or it for the purpose of conducting any such investigation, inquiry or hearing, may, in his discretion, compel the attendance of witnesses, the production of books, papers, accounts and documents, and the giving of testimony before the Savings and Loan Board or Commissioner, or before any officer thereof, or any employee designated by him or it for the purpose of conducting any such investigation, inquiry or hearing, in person or by deposition, in the manner provided in this section, by an attachment for contempt or otherwise, in the same manner as production of evidence may be compelled before said court.

The Board or Commissioner or any officer, or any employee designated by him or it for the purpose of conducting any investigation, inquiry or hearing, or any party may, in any investigation, inquiry or hearing, cause the deposition of witnesses residing within or without the State to be taken in the manner prescribed by law for taking like depositions in chancery cases in courts of this State, and to that end may compel the attendance of witnesses and the production of papers, books, accounts and documents. (As amended by act approved July 23, 1965.)

Section 7-24. The Commissioner or any person affected by a final administrative decision of the Board pursuant to the provisions of this Act may have such decisions reviewed only under and in accordance with the "Administrative Review Act," approved May 8, 1945 if such person files within 10 days of receipt of service of a copy of the final decision sought to be reviewed a written notice with the Board of intent to seek review under said Administrative Review Act. The provisions of the "Administrative Review Act," and all amendments and modifications thereof, and the rules adopted pursuant thereto, shall apply to and govern all proceedings for the judicial review of final administrative decisions of the Board hereunder. The term "administrative decision" is defined as in Section 1 of said "Administrative Review Act".

Appeals from all final orders and judgments entered by court in review of any final administrative decision of the Board hereunder may be taken directly to the Supreme Court in accordance with the provisions of the "Civil Practice Act" relating to appeals, and all existing and future amendments and modifications thereof and the rules adopted thereto. (As amended by act approved July 23, 1965.)

ARTICLE 8—Reorganization.

Section 8-1. Authority to Reorganize.) An association may reorganize under the provisions of this article, by adjusting its capital without prejudicing or impairing the rights of any of its creditors; but an adjustment of capital which involves or is part of a proceeding to effect a merger, conversion, sale of all assets, or retirement or reduction of permanent reserve capital, shall be accomplished under the provisions of this Act relating to such other proceedings. (As amended by act approved July 11, 1957.)

Section 8-2. Decision as to Reorganization; Adoption of Plan.)

(a) At any annual or special meeting of the members, the members may vote to reorganize the association, and may adopt a plan of reorganization which has been approved by the board of directors, or proposed by one or more shareholders, or submitted by the Commissioner; or may elect a committee of three (3) persons to prepare and submit a plan, and thereafter may adopt such plan. However, no plan except one submitted by the Commissioner shall be adopted unless it has been filed with the Commissioner at least five (5) days before the vote of the members is taken thereon.

(b) A plan will be adopted upon receiving in the affirmative two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast. (As amended by act approved July 23, 1965.)

Section 8-3. Plan of Reorganization.) The plan of reorganization shall set forth:

(a) A statement of the financial condition of the association duly certified by a licensed public accountant, or verified in such manner as may be required by the Commissioner.

(b) The proposed adjustment of capital.

(c) Any proposed segregation of assets into a segregated trust, and provision for disposition of such trust.

(d) Any amendment to the articles of incorporation which shall be submitted to the Commissioner for approval and shall be effective as provided in the article of this Act concerning Corporate Changes.

(e) Provision for safeguarding the rights of creditors. (As amended by act approved July 23, 1965.)

Section 8-4. Election of New Directors; Report and Supervision.)

(a) Upon the adoption of the plan of reorganization, the offices of all directors and officers of the association shall be vacant, and the members shall proceed to elect directors to fill the vacancies. If the plan provides for the segregation of assets under a trust agreement, the members also shall elect

(with cumulative voting permitted as in elections of directors) three or more trustees to manage such assets.

(b) A report of proceedings at the meetings of the members, certified by the president or a vice president and attested by the secretary, setting forth the notice given and time of mailing thereof, the vote on the plan of reorganization, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed in duplicate with the Commissioner, together with the plan of reorganization. The Commissioner thereupon shall issue to the association, and to the trustees if assets have been segregated as a part of the plan, a certificate of reorganization, and a certificate of amendment of the articles of incorporation if appropriate.

(c) The reorganization shall become effective upon the recording of the certificate of reorganization and the certificate of amendment of articles of incorporation, if any, in the manner required by this Act for the recording of articles of incorporation. (As amended by act approved July 23, 1965.)

Section 8-5. Trust Agreement and Procedure.)

(a) The segregated assets shall be disposed of in accordance with the terms of a trust agreement adopted by the board of directors and executed in triplicate by the appropriate officers of the association and the trustees.

(b) The trust agreement shall contain provisions for the full liquidation of the trust, (including but not limited to) powers, duties, and manner of succession of trustees, and other provisions similar to those set forth with respect to liquidators in the section of this Act concerning Plan of Voluntary Liquidation. In addition thereto, the reorganized association shall furnish to the trustees a list of all shareholders whose shares are affected by such segregation of assets, giving their last known addresses and the book value of shares held and the reduction of such values upon reorganization and segregation of assets, so that the trustees may ascertain the relative interest of each shareholder in the trust so created. Such list shall be prima facie evidence of the share interests of all shareholders and no shareholder shall be entitled to a greater proportionate interest in the trust unless and until the trustees shall have agreed to a correction of the list or shall be ordered to do so by a court of competent jurisdiction.

(c) Three copies of the trust agreement shall be submitted to the Commissioner together with a certified copy of the resolution of the board of directors adopting the agreement, and the bonds of the trustees in such amounts as shall be fixed by the board of directors and as provided by the section of this Act concerning Bonds of Officers and Employees.

(d) If the Commissioner finds that the bonds are sufficient and the trust agreement will protect the beneficiaries of the trust, he shall attach his

certificate of approval and forward one approved copy of the trust agreement to the trustees and another to the reorganized association.

(e) The trust shall become effective upon recording of the Commissioner's certificate of approval and the trust agreement in the manner required by this Act for the recording of articles of incorporation; and the association thereupon shall be authorized to transfer the segregated assets to the trustees. (As amended by act approved July 23, 1965.)

Section 8-6. Disposition of Assets by Trustees; Liquidation.) The trust shall be subject at all times to the applicable provisions of the article pertaining to Voluntary Liquidation, and also shall be subject to supervision and examination by the Commissioner. (As amended by act approved July 23, 1965.)

Section 8-7. Acceptance of Certificates of Beneficial Interest and Withdrawable Capital for Part Purchase Price of Assets.)

(a) The trustees may offer to accept the certificates of beneficial interest issued by them, or withdrawable capital of the association, to apply upon the purchase price of any assets, but only for such relative values as may be approved by the Commissioner from time to time. If such offer is made, notice thereof by single publication or by mailing, stating the offer and the time, place, and terms of the sale, shall be given to all owners of such certificates prior to the sale.

(b) If a purchaser of segregated assets applies to the reorganized association for a loan on such assets, the association, in lieu of cash advancement on such loan, may issue and the trustees may accept at full value withdrawable capital of the reorganized association up to but not exceeding seventy-five per cent (75%) of the purchase price of such assets. Such sale shall not be consummated until the balance of the purchase price shall have been paid in cash to the trustee. (As amended by act approved July 23, 1965.)

ARTICLE 9—Voluntary Liquidation.

Section 9-1. Authority to Liquidate.) An association may liquidate voluntarily in accordance with a plan of voluntary liquidation which has been adopted in the manner provided in this article.

Section 9-2. Decision as to Liquidation; Adoption of Plan.)

(a) At any annual or special meeting of the members, the members may vote to liquidate the association, and may adopt a plan of liquidation which has been approved by the board of directors, or proposed by one or more shareholders, or submitted by the Commissioner; or may elect a committee of three (3) persons to prepare and submit a plan, and thereafter may adopt such plan. However, no plan except one submitted by the Commis-

sioner shall be adopted unless it has been filed with the Commissioner at least five (5) days before the vote of the members is taken thereon.

(b) A plan will be adopted upon receiving in the affirmative two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast. (As amended by act approved July 23, 1965.)

Section 9-3. Plan of Voluntary Liquidation.) The plan of voluntary liquidation shall provide for the full liquidation of the association, setting forth the powers, duties, manner of filling vacancies, and succession of the liquidators and authorizing them to:

(a) Advance funds of the association to preserve, protect, or purchase at any sale any asset in which the association has an interest.

(b) Sell, convey, lease, mortgage, or exchange any assets for other assets.

(c) Sell and dispose of any assets at public sale to the highest and best bidder or at private sale for the highest price obtainable.

(d) Accept withdrawable capital of the association to apply upon the purchase price of any assets, but only for such relative values as may be approved by the Commissioner from time to time. Notice by single publication or by mailing, stating the time, place, and terms of the sale, shall be given to all holders of withdrawable capital prior to the sale.

(e) Pay out of the proceeds of liquidation all expenses and services necessary to the liquidation, and also compensation of the liquidators; but such compensation of the liquidators, exclusive of compensation for legal services and other specialized employment, shall not exceed in the aggregate three (3) per cent of the proceeds of liquidation. (As amended by act approved July 23, 1965.)

Section 9-4. Election of Liquidators, Report, and Supervision.) Upon adoption of a plan of voluntary liquidation, the members shall proceed to elect (with cumulative voting permitted as in elections of directors) not more than three (3) liquidators, who shall have full power to execute the plan; and the procedure thereafter shall be as follows:

(a) A report of proceedings at the meeting of members, certified by the presiding officer of the meeting and attested by the secretary of the meeting, and setting forth the notice given and time of mailing thereof, the vote on the plan of voluntary liquidation, the total number of votes which all members of the association were entitled to cast thereon, and the names of the liquidators elected, shall be filed in triplicate with the Commissioner, together with the plan.

(b) If the Commissioner finds that the plan and proceedings are in accordance with this Act, that the bonds of the liquidators are sufficient, and

that the plan is not unfair to any person affected, he shall attach his certificate of approval to the plan and shall forward one copy to the liquidators, and in the case of an insured association, one copy to the insurance corporation.

(c) The plan shall become effective upon the recording of the Commissioner's certificate of approval in the manner required by this Act for the recording of articles of incorporation.

(d) The liquidation of the association shall be subject to the supervision and examination of the Commissioner. (As amended by act approved July 23, 1965.)

Section 9-5. Protection and Liquidation of Assets.) The liquidators are authorized to advance funds of the association and to take such other action as is advisable to preserve, protect, or purchase at any sale any real estate or other asset upon which the association may hold any lien or incumbrance or in which it may have an interest. The liquidators may sell, convey, lease, mortgage or exchange any assets so purchased or other assets; and in furtherance of the liquidation of the association, may sell and dispose of any of its assets at public sale to the highest and best bidder; or may sell any such assets at private sale for the highest price obtainable. No purchaser shall be required to ascertain the application of the purchase price.

Section 9-6. Notice to File Claims.) The liquidators shall fix a time for all persons having claims against the association, other than as members thereof, to present such claims, and shall cause notice to be published, requiring all persons to present the claims on or before such date, and within five (5) days after the first publication shall mail a copy of such notice to each person whose name appears on the association's records as having a claim. Each claim shall be in writing and verified by the claimant or a duly authorized agent. A claim may be presented at any time on or before the date fixed in the published notice, but any claim not so presented shall be barred. Upon the disallowance of any claim, the liquidators immediately shall notify the claimant of such fact, and the claimant may institute suit to establish such claim at any time before the final distribution.

Section 9-7. Claims of Members.) Whether a member files or does not file a claim with respect to an interest which he has as such member, the liquidators shall determine from the records of the association the amount of such member's claim. Any such member may examine the association's records pertaining to his own claim. The records of the association shall be prima facie evidence of each such claim or interest, and no member shall be entitled to a greater claim or proportionate interest in the association unless and until the liquidators shall have agreed to a correction of the records pertaining to such claim or interest, or shall be ordered to correct such records by a court of competent jurisdiction. The liquidators shall require all members to present

their certificates or account books, if any, for verification and endorsement upon payment of any liquidating dividend or distribution; and upon final distribution, such certificates or account books, if any, shall be surrendered to the liquidators.

Section 9-8. Payments and Distribution.) Claims having a preference in law shall be given preference in payment; except that no payment of less than ten dollars (\$10.00) need be made until final distribution. No distribution shall be made on claims for withdrawable capital until such preferred claims have been paid or provided for in full, or during the pendency of any suit unless sufficient funds are segregated to pay any judgement which may be rendered in such suit. Ratable payments and distributions on withdrawable capital may be made at any time after the time fixed for the presentment and allowance of claims has elapsed. Holders of permanent reserve capital, if any, shall participate in the liquidation of the remaining assets after payment or provision for payment has been made in full to all creditors, holders of withdrawable capital, and any claims which the holders may have in the balance of any segregated reserves. Final distribution shall be made in accordance with the next succeeding section of this article. (As amended by act approved July 11, 1957.)

Section 9-9. Final Distribution and Dissolution by Commissioner.) When all assets have been liquidated and all claims and expenses have been paid, dissolution of the association shall be accomplished in the following manner:

(a) The liquidators shall file with the Commissioner the duly verified final report of their acts and proposed final distribution.

(b) Upon the Commissioner's approval of the final report, the liquidators shall publish notice of the proposed distribution, and shall allow any shareholder to examine the records of the association to ascertain his proper share of such distribution. Any shareholder who fails to commence, before the date fixed for final distribution, appropriate judicial proceedings to contest such distribution, shall be barred from contesting the same thereafter. The liquidators shall proceed to make final distribution on the date fixed therefor, except that such distribution shall be deferred until final disposition of any pending judicial action affecting the distribution, and payment of any judgement entered therein.

(c) When final distribution has been made, except as to any money due to but unclaimed by any creditor, shareholder, or other person, the liquidators shall deposit such unclaimed money with the Commissioner, for payment to the person or persons entitled thereto upon application and proof of right as provided by law.

(d) The liquidators also shall deliver to the Commissioner all books of account and other records of the association, for preservation for at least two (2) years and destruction thereafter as provided by law.

(e) Upon completion of the foregoing procedure, the liquidators shall be discharged; the Commissioner shall issue a certificate of dissolution of the association and shall record same in the manner required by this Act for the recording of articles of incorporation; and upon such recording, the dissolution shall be effective. (As amended by act approved July 23, 1965.)

ARTICLE 10—Involuntary Liquidation.

Section 10-1. Commissioner to Appoint Receiver.) If the Commissioner after taking custody of an association under the section of this Act concerning Commissioner's Authority to Take Custody, finds that any one or more of the reasons for taking custody continues to exist through the period of his custody, then he shall appoint any qualified person, firm or corporation as receiver or co-receiver of such association or trust for the purpose of liquidation. In the case of an insured association, he may appoint the insurance corporation or its nominee as such receiver or as a co-receiver; and the insurance corporation may be permitted to serve without bond. The receiver shall take possession of and title to the books, records, and assets of every description of the association or trust. (As amended by act approved July 23, 1965.)

Section 10-2. Filing of Complaint by Attorney General.) After so appointing a receiver, the Commissioner shall direct the Attorney General to file a complaint in equity in the name of the Commissioner in the circuit or superior court of the county in which such association or trust is located and against the association or trustees or liquidators, as the case may be, for the orderly liquidation and dissolution of the association or trust and for an injunction restraining the officers, directors, trustees, or liquidators, from continuing the operation of the association or trust. No complaint shall be filed nor shall other proceedings be commenced in any court for the dissolution or winding up of the affairs of the association or trust except in the name of and by authority of the Commissioner represented by the Attorney General. (As amended by act approved July 23, 1965.)

Section 10-3. Receiver's Powers; Court Supervision.) Upon order of the court in which the Commissioner's complaint for dissolution and winding up of the affairs of the association has been filed, the receiver shall have the power and shall be charged with the duties and responsibilities as follows:

(a) To sell and compound all bad or doubtful debts on such terms as the court shall direct;

(b) To sell the real and personal property of the association on such terms as the court shall direct:

(c) To petition the court for authority to borrow money to protect assets or to facilitate liquidation and distribution and to pledge assets as security therefor, which petition shall be heard by the court upon such notice to all parties in interest as the

court shall direct, and such loans may be obtained and assets pledged as security therefor upon such terms and conditions as may be deemed expedient and necessary;

(d) To make and carry out agreements with the insurance corporation or with any other financial institution for the payment or assumption of the association's liabilities, in whole or in part, and to sell, convey, transfer, pledge or assign assets as security or otherwise, and to make guaranties in connection therewith. (As amended by act approved July 23, 1965.)

Section 10-4. Expenses of Custody and Receivership.) All expenses incurred by reason of the examination, custody, and receivership, including compensation to such receiver, accountants, or clerical assistants, and reasonable solicitors' and attorneys' fees, approved by the Commissioner or the court, shall be paid out of the assets of such association or trust. (As amended by act approved July 23, 1965.)

Section 10-5. Notice to Creditors.) The receiver shall cause notice to be published calling on all persons who may have claims against such association or trust to present the same to such receiver and to make legal proof thereof, and the said claims shall be presented to the court, and the allowance or disallowance of such claims by the court in connection with said proceedings shall be deemed an adjudication in a court of competent jurisdiction. After the expiration of the time specified in such publication, the receiver shall file with the Commissioner and with the clerk of the court a correct list of all creditors and all members of the association or beneficiaries of the trust, as shown by the books and records, who have not presented their claims, and the amount of their respective claims, after allowing all just credits, deductions and setoffs as shown by the books and records. Such claims so filed shall be deemed proven, unless objections are filed thereto by any parties interested therein within such time as shall be fixed by the court and such notice of application for adjudication of such claims shall be given as the court may direct. (As amended by act approved July 23, 1965.)

Section 10-6. Distribution by Receiver.) Claims having a preference in law shall be given preference in payment; except that no payment of less than ten dollars (\$10.00) need be made until final distribution. No distribution shall be made on claims for capital until such preferred creditors have been paid or provided for in full, or during the pendency of any suit unless sufficient funds are segregated to pay any judgment which may be rendered in such suit. At any time after the expiration of the published claim date and from time to time, the receiver may make ratable distribution on all such claims as may have been proven to the satisfaction of the receiver, or adjudicated in a court of competent jurisdiction. Final distribution shall be made in accordance with the next succeeding section of this article.

Section 10-7. Final Distribution and Dissolution by Court.) When all assets have been liquidated

and all claims and expenses have been paid except for the final distribution, dissolution of the association shall be accomplished in the following manner:

(a) The receiver shall file with the court the final report of his acts and proposed final distribution.

(b) Upon the court's approval of the final report, the receiver shall give such notice, and thereafter shall make final distribution, in such manner as the court may direct.

(c) When final distribution has been made except as to any unclaimed money, the receiver shall deposit such unclaimed money with the Commissioner and shall deliver to the Commissioner all books of account and other records, in the manner and for the purpose prescribed in the section of this Act concerning Final Distribution and Dissolution by Commissioner.

(d) Upon completion of the foregoing procedure, and upon the petition of the Commissioner (represented by the Attorney General) and the receiver, the court may find that the association or trust should be dissolved; and after such publication of notice of dissolution as the court may direct, the court may enter a decree of dissolution. (As amended by act approved July 23, 1965.)

ARTICLE 11—Miscellaneous Provisions.

Section 11-1. Reservation of Powers to General Assembly.) The General Assembly shall have power to amend, repeal, or modify this Act, and such amendments or modifications shall be binding upon any and all associations operating under this Act.

Section 11-2. Applicability of Other Acts.) Whenever in any act the terms "savings and loan," "building and loan," "mutual building loan and homestead," "building loan and homestead," or other similar name, are used with reference to associations organized for the purposes of associations incorporated under this Act, such reference shall be applicable to associations operating under this Act; and whenever in any act the terms "members," "shareholders," or "investors" are used in connection with such associations, however named, the same shall refer to members and holders of capital of associations operating under this Act.

Section 11-3. Separability.) If any provision, clause, or phrase of this Act or the application thereof to any person or circumstance, is held invalid, such invalidity shall not affect other provisions or applications of this Act, which can be given effect without the invalid provisions or application, and to this end the provisions of this Act are declared to be separable.

Section 11-4. Repealer.) "An Act in relation to mutual building, loan and homestead associations" filed June 19, 1919, and all acts amendatory thereof, are hereby repealed.

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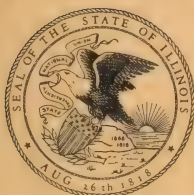
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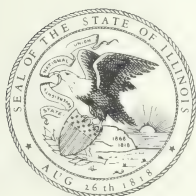
ILLINOIS SAVINGS AND LOAN ACT

1967 Edition

JUSTIN HULMAN, Commissioner

**Office of The Commissioner of
Savings and Loan Associations**

State of Illinois
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ILLINOIS SAVINGS AND LOAN ACT

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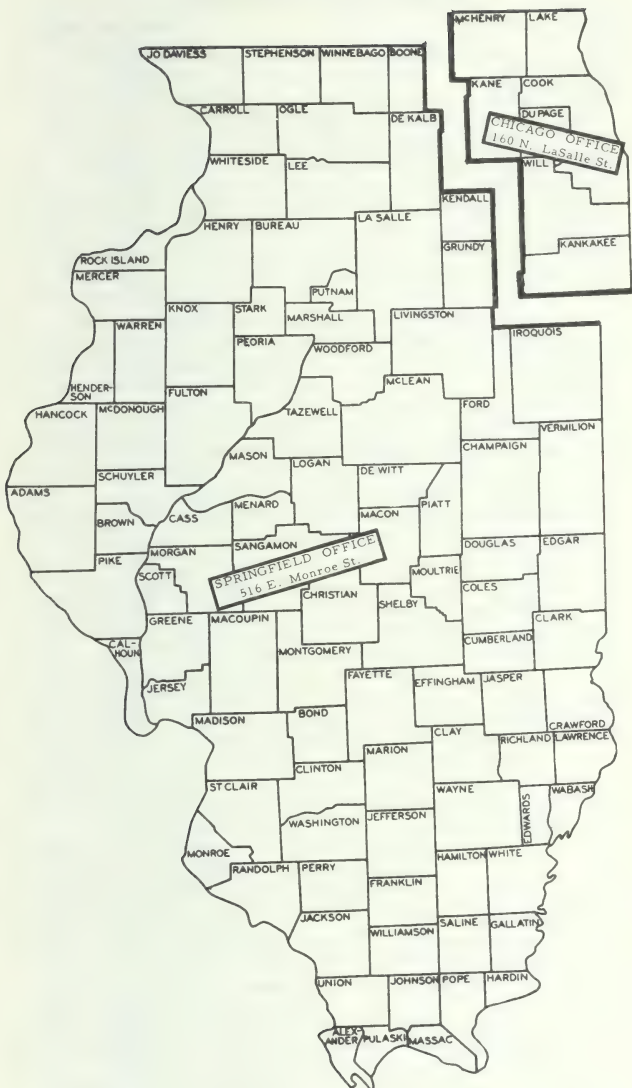
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▲ To provide greater assistance in the administration and supervision of the Savings and Loan Associations, the Commissioner maintains both a Chicago office and Springfield office. Each office serves that part of the State indicated by the division of the State on the map above.

▲ Associations in the Chicago area should direct inquiries to the Commissioner of Savings and Loan Associations, 160 North LaSalle Street, Chicago 1, Illinois 60601. Telephone: Financial 6-2000, Ext. 2417.

▲ Associations in the Springfield area should direct inquiries to the Commissioner of Savings and Loan Associations, 516 East Monroe Street, Springfield, Illinois 62706. Telephone: 525-6181.

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ILLINOIS SAVINGS AND LOAN ACT

AN ACT to revise and codify the laws in relation to Savings and Loan Associations and to provide penalties for the violation thereof, and to repeal an Act therein named. Approved July 5, 1955.

ARTICLE 1—General Provisions

Section 1-1. Short title.) This Act shall be known and may be cited as the "Illinois Savings and Loan Act".

Section 1-2. Policy of Act.) The General Assembly has found and declares:

(a) That the savings and loan business, otherwise known as the building, loan, and homestead business, which is within the scope of this Act, has so expanded in recent years, and has become so integrated with the financial institutions of this State and is so important as a method of promoting home ownership and thrift, that such business, to an even greater extent than heretofore, is affected with a public interest and should continue to be supervised as a business affecting the economic security and general welfare of the people of this State;

(b) That such business should be operated only by associations organized and conducted in accordance with the authority provided in this Act;

(c) That the number and minimum size of the associations conducting such business should be controlled in the interest of securely and efficiently serving the needs of the localities in which they operate;

(d) That the public interest requires the promotion and fostering of the savings and loan, or building, loan, and homestead business and the assurance of its financial stability;

(e) That in order to further the policies herein expressed, the provisions of this Act shall be liberally construed to promote and foster the purposes of savings and loan associations.

Section 1-3. Scope of Act; Application to Federal Associations.)

(a) This Act applies to all existing mutual building loan and homestead associations, savings and loan associations, savings associations, building and loan associations, and other similar associations by whatever name called, organized under this or any prior act; and to all foreign associations duly authorized to do business in this State.

(b) Unless Federal laws or regulations provide otherwise, Federal Associations and their members shall possess all of the rights, powers, privileges, immunities, and exemptions granted by this Act to associations operating hereunder and to the members thereof, or by any other Act or Section thereof, to such associations or members, whether or not specifically mentioned in the Section or Sections granting such rights, powers, privileges, immunities and exemptions. (As amended by act approved August 14, 1961.)

Section 1-4. Effect on Existing Associations.) With respect to any existing association:

(a) The by-laws, shares, and contracts of such association shall continue in full force and effect; but the association shall be operated in accordance with the provisions of this Act.

(b) If the association accepts the benefits of, or avails itself of the powers given by, this Act, the association shall be subject to the provisions and requirements of this Act in every particular, as if the association had been organized under this Act.

(c) That portion of the statement of incorporation, charter, or certificate of complete organization of an existing association, which corresponds to the contents of articles of incorporation, as defined in Section 2-8 of this Act, shall be deemed to be the articles of incorporation of such association; and that portion of its statement of incorporation, charter, and certificate of complete organization corresponding to the contents of by-laws, as defined in Section 2-9 of this Act, shall be deemed to be the by-laws of such existing association.

Section 1-5. Prohibitions.)

(a) No person or group of persons, except an association duly incorporated under this Act or a prior act, or a Federal association, or a foreign association duly authorized to do business in this State, shall transact business within the scope of this Act or do any business under any name or title, or circulate or use any advertising or make any representation or give any information to any person, which indicates or reasonably implies the operation of a business which is within the scope of this Act.

(b) A court of competent jurisdiction may issue an injunction to restrain any person from violating or continuing to violate any of the foregoing provisions of this section.

(c) Any person who violates any provision of this section shall be punished by a fine of not more than one thousand dollars (\$1,000.00).

Section 1-6. General Corporate Powers.) An association operating under this Act shall be a body corporate and politic and shall have all of the specific powers conferred by this Act in addition thereto, the following general powers:

(a) To sue and be sued, complain and defend in its corporate name; and to have a common seal, which it may alter or renew at pleasure;

(b) To obtain and maintain insurance of the association's withdrawable capital by an insurance corporation as defined in this Act;

(c) To become a member of the Federal Home Loan Bank, and to have all powers of such a member which are not inconsistent with the provisions of this Act; and to have all powers granted to Federal savings and loan associations except as limited or prohibited by this Act, subject to regulations of the Commissioner wherever applicable;

(d) To act as a fiscal agent for the United States when duly designated for that purpose, and

as such agent to perform such reasonable functions as may be required of it;

(e) To become a member of or deal with any corporation or agency of the United States or the State of Illinois, to the extent that such agency assists in furthering or facilitating the association's purposes or powers and to that end to purchase stock or securities thereof or deposit money therewith, and to comply with any other conditions of membership or credit;

(f) To make donations in reasonable amounts for the public welfare or for charitable, scientific, religious, or educational purposes;

(g) To adopt and operate reasonable insurance, bonus, and retirement plans for officers and employees;

(h) To reject any application for membership; to retire withdrawable capital by enforced retirement as provided in this Act and the by-laws; and to limit the issuance of or payments on withdrawable capital, subject however to contractual obligations.

(i) To purchase stock in a Service Corporation in an amount not to exceed 2% of the association's assets and to invest in any form of indebtedness of any Service Corporation as defined in this Act, subject to regulations of the Commissioner. (As amended by Act approved July 11, 1967.)

Section 1-7. Power to Borrow.)

(a) The board of directors may borrow money for the uses and purposes of the association, and may pledge, mortgage, or otherwise encumber any of its assets in connection therewith; but such borrowing shall not exceed fifty per cent (50%) of the aggregate withdrawal value of the association's withdrawable capital without prior approval of the Commissioner. A subsequent reduction of withdrawable capital shall not affect in any way outstanding obligations for borrowed money.

(b) A debt incurred by the association in violation of this section is not invalid or illegal as to the rights of the lender. (As amended by act approved July 23, 1965.)

Section 1-8. Incidental Powers.) An Association also shall have any power conferred on a corporation by the Business Corporation Act, and any power not prohibited by law, which is reasonably incident to the accomplishment of the express powers conferred upon the association by this Act.

Section 1-9. Powers Not to be Exercised.)

(a) No association to which this Act applies shall accept or carry any demand, commercial or checking account.

(b) No association shall establish branches or offices at which savings or investments are regularly received or loans approved unless and to the geographical extent branch powers and offices are granted to state banks under the "Illinois Banking Act", as amended, or as it may be amended or supplemented. (As amended by act approved July 16, 1963.)

Section 1-10. Definitions.) The following words and phrases have the following respective definitions for the purpose of this Act, except to the extent that any such word or phrase is specifically qualified by its context:

(a) "Savings and Loan Board": the Illinois Savings and Loan Board, as described in the article of this Act concerning Supervision.

(b) "Aggregate withdrawal value": the sum of all payments made on all withdrawable capital accounts of the association and all dividends, and bonuses credited or allocated to such accounts, and all dividends credited to "divided profits" for subsequent crediting to accounts upon maturity; less all withdrawals, retirements, and other proper deductions from accounts and all unpaid charges thereon.

(c) "Association": every association to which this Act applies, as defined in the section concerning Scope of Act.

(d) "Commissioner": The Commissioner of Savings and Loan Associations, or some person authorized by him to act in his stead.

(e) "Community": a city, village, or incorporated town in this State.

(f) "Continuing association": the association which continues to exist after a merger of associations has been effected.

(g) "Federal association": a savings and loan association or savings association operating under the laws and regulations of the United States.

(h) "Fiduciary": a trustee, executor, administrator, guardian, conservator, agent, receiver, trustee in bankruptcy, assignee for creditors, or any holder of a similar position of trust.

(i) "Impaired" or impairment", with respect to capital: a condition in which the value of the association's assets is less than the aggregate amount of the association's liabilities to creditors, members, and the aggregate value of its withdrawable capital, and the aggregate par value of its permanent reserve capital.

(j) "Insurance corporation": The Federal Savings and Loan Insurance Corporation, or such other instrumentality of or corporation chartered by the United States as hereafter may be established for the purpose of insuring the withdrawable capital of savings and loan associations.

(k) "Insured association": an association the withdrawable capital of which is insured wholly or in part by an insurance corporation.

(l) "Merger": includes consolidation.

(m) "Merging association": an association which plans or effects a merger with one or more other associations in accordance with the provisions of this Act concerning merger.

(n) "Person": an individual, partnership, joint venture, trust, estate, unincorporated association, or corporation.

(o) "Prior act": any statute of this State which, prior to the effective date of this Act, has governed the formation and operation of associations

of the type described in the section of this Act concerning Scope of Act.

(p) "Profits": as determined by application of proper accounting principles, gross income less the aggregate of operating and real estate expenses, losses actually sustained and not charged to reserves under the provision of this Act, interest paid or accrued on Borrowings and non-recurring charges.

(q) "Publication," "publish," or "published": printed in the American language in a newspaper of general circulation published in the community in which the association's business office is located, or if no such newspaper exists in said community, then in the county in which such business office is located. Unless otherwise specified in this Act, publication shall be made once each week for 3 successive weeks.

(r) "Mail" or "mailed," with respect to a writing or notice: deposit in a United States Post Office mailing facility, in this State, postage prepaid, correctly addressed to the proper person at his address stated on the association's records or otherwise agreed upon, or if no address has been so established, then to the last known address.

(s) "Total assets": the total value of all loan contracts without deduction for the withdrawal value of any capital accounts of the association held as collateral for loans, and the total value of all other assets of the association, as determined by the application of proper accounting principles.

(t) "Withdrawal value" of a capital account: the sum of all payments made by the holder on the account and all dividends, and bonuses credited or allocated to such account, less all withdrawals, retirements, and other proper deductions therefrom and all unpaid charges thereon. However, "withdrawal value" of a share account which is voluntarily withdrawn by the holder before maturity thereof, does not include any portion of the dividends which, pursuant to the by-laws, have not been credited directly to the account but have been credited to "divided profits" of the association, and which the association is entitled to retain by reason of such voluntary withdrawal; and does not include any portion of the bonus reserve which may be retained.

(u) "Service Corporation": Any corporation which is 90% or more owned by three or more associations and whose purpose or purposes are reasonably incident to the accomplishment of the express powers conferred upon associations by this Act.

(v) Any commercial bank the stock of which is 90% or more owned by three or more associations shall be deemed a state chartered central reserve institution. Neither a service corporation nor a central reserve institution as defined by this Act shall establish branches or offices unless and to the extent that branch powers and offices are granted to state banks under the "Illinois Banking Act" as amended, or the "Illinois Banking Holding Company Act" as amended. (As amended by act approved July 11, 1967.)

ARTICLE 2—Incorporation and Organization.

Section 2-1. Applicants and Initial Capital.) Any five or more adult individuals, residents of this State, may apply for a permit to organize an association under this Act. The minimum initial capital which an association must have shall be determined by the population of the community in which the association's business office is to be located, in accordance with the following table:

Population		Minimum Capital
More than	Not more than	
—	5,000	\$ 15,000
5,000	10,000	25,000
10,000	50,000	50,000
50,000	—	200,000

If the association's business office is to be located in an unincorporated area more than five miles from the limits of any community, then the required minimum capital shall be that for a community of five thousand (5,000) population or less; otherwise, the required capital shall be that of the community to which it is adjacent, or if near several communities, that of the community with the highest population classification in the above schedule. Minimum capital to be paid in may consist of withdrawable capital and permanent reserve capital as provided in this Act. If the capital of the association to be organized includes permanent reserve capital, the amount of minimum initial permanent reserve capital shall be not less than twenty-five thousand dollars (\$25,000), and not less than fifty thousand dollars (\$50,000) if the association is to be located in a county with more than five hundred thousand (500,000) population. (As amended by act approved July 11, 1957.)

Section 2-2. Application for Permit to Organize.) The application for a permit to organize an association shall be addressed to the Commissioner in such form as he shall provide; shall be in duplicate, personally signed by each applicant and acknowledged by each applicant in the manner provided for the acknowledgment of deeds. The applicants shall submit with their application statements, exhibits, maps, and other data, which data shall be sufficiently detailed and comprehensive to enable the Commissioner to pass upon the application. (As amended by act approved July 23, 1965.)

Section 2-3. Findings.) The applicants shall publish a notice of intention to organize in such form as the Commissioner shall prescribe. The Commissioner may cause an investigation to be made and consider such other information as may be submitted to him to determine his findings at any time prior to the issuance of a permit to organize. (As amended by act approved July 23, 1965.)

Section 2-4. Commissioner's Approval and Issuance of Permit to Organize.) The Commissioner shall not approve the application and issue a permit to organize unless he shall find:

(a) That a need exists for an association in the community or area of operation stated in the application;

(b) That the proposed capital meets the requirements of this Act;

(c) That the general character of the proposed management is such as to assure reasonable probability of the success of the association; and further to assure the success of the association the Commissioner may require as a condition in the permit that insurance of withdrawable capital shall be effective prior to the issuance of a Certificate of Complete Organization;

(d) That the name of the proposed association is not the same as, or deceptively similar to, the name of any other association in the community or area of operation; and no such name shall contain the words "guaranty", "Guarantee", "insured", or any other word the meaning of which might imply that the association is insured by the insurance corporation unless in fact such insurance or a commitment to insure has been obtained, and such prohibition shall likewise extend to an association amending its articles of incorporation to change its name;

(e) That such association can be established without undue injury to properly conducted existing associations. (As amended by act approved July 23, 1965.)

Section 2-5. Subscription to Capital and Temporary Organization.) Upon receipt of the permit to organize an association, the applicants shall constitute the organization committee and shall perfect a temporary organization by electing a chairman, vice-chairman, and a secretary, who shall act as the temporary officers of such association until their successors are duly elected and qualified. Such temporary officers thereupon shall proceed to:

(a) Secure subscriptions for the required amount of capital in form and manner approved by the Commissioner; and

(b) Call a meeting of subscribers, who shall adopt articles of incorporation and elect directors to serve until the first annual meeting of the association and until their successors are elected and qualified. (As amended by act approved July 23, 1965.)

Section 2-6. Completion of Organization.) The directors so elected shall proceed to:

(a) Organize as a board and qualify as directors;

(b) Adopt by-laws;

(c) Elect officers pursuant to the by-laws;

(d) Collect subscriptions to the required capital, but only after the persons designated to collect such subscriptions have been bonded as provided in this article;

(e) Take such other action as may be necessary to complete the organization;

(f) Report the completion of the organization to the Commissioner. Unless such report is made

to the Commissioner within 12 months after the date of the permit to organize, or if applicable, 90 days after the date of final determination of the original application for insurance of accounts including the time specified for compliance with Conditions of the insurance corporation as evidenced in writing by the insurance corporation, the permit shall be deemed revoked and any subscriptions collected shall be refunded. (As amended by act approved July 23, 1965.)

Section 2-7. Certificate of Complete Organization.) When the board of directors has organized as provided in this Act and the report of organization has been filed with the Commissioner, he shall make a thorough examination into the affairs of the association, and if he approves the articles of incorporation and is satisfied that all the requirements of this Act have been complied with, and that no intervening circumstance has occurred to change the Commissioner's findings made pursuant to this Act, upon payment to the Commissioner of the reasonable expenses of such examination as determined by the Commissioner, he shall issue a certificate of complete organization authorizing the association to commence business. Such certificate together with the articles of incorporation shall be recorded by filing the same for record in the office of the recorder of deeds in the county in which the association is located. Upon such recording the association shall be fully organized and may commence to do business. Such certificate of complete organization and articles of incorporation, or duly certified copies of the recording thereof, shall be conclusive evidence except against the State that the association has complied properly with all requirements for organization, has been duly incorporated, and is authorized to do business under the provisions of this Act. (As amended by act approved July 23, 1965.)

Section 2-8 Contents of Articles of Incorporation.)

(a) The articles of incorporation shall set forth:

- (1) The name of the association.
- (2) The initial location of the business office.
- (3) The duration of existence, which is perpetual unless otherwise specified.
- (4) The number of directors, not less than five (5).
- (5) The authorization, if any, to issue withdrawable shares, the aggregate amount of which may be unlimited.
- (6) The authorization, if any, to issue permanent reserve shares, the aggregate number thereof, and the par value per share which shall not be less than one dollar (\$1.00).
- (7) The date of the annual meeting of the members which shall be not more than sixty (60) days after the close of the association's fiscal year.
- (8) The quorum required for action of members if a quorum other than that specified in this Act is desired.

(9) Any other provision, not inconsistent with law, which the subscribers or members may desire, for the internal regulation of the affairs of the association.

(b) The articles need not set forth any of the powers which this Act confers. (As amended by act approved July 11, 1957.)

Section 2-9. Contents of By-laws.)

(a) The by-laws of the association shall provide for the following matters consistent with any applicable provisions of this Act:

(1) The minimum frequency of directors' meetings, which shall be at least monthly.

(2) The titles and duties of the officers.

(3) The officers authorized, or who may be authorized, by the directors to execute instruments.

(4) A description of the corporate seal.

(5) The fiscal year of the association.

(6) The location of the business office.

(b) Such by-laws may provide also for any or all of the following matters, among others, consistent with any applicable provisions of this Act:

(1) The method of calling special meetings of the members; requirements for giving notice of meetings of members in addition to the notice prescribed by this Act; and methods of nominating directors and other voting and election procedures.

(2) The method of determining the record date for voting, dividend, and other purposes.

(3) The procedure for the transfer of ownership of capital and for the enforcement of charges and liens.

(4) The plan or plans under which withdrawable capital is to be issued; the classes into which it may be divided; and the characteristics of each class as to time of issuance, times and amounts of payments to be made, classification for dividends, purposes, and such other terms as are permitted by this Act.

(5) The method by which the directors may enforce retirement of unpledged withdrawable capital.

(6) The frequency with which profits of the association shall be apportioned and the methods of apportionment.

(7) Provision for establishment of executive, loan, investment, and appraisal committees, and such other special or standing committees as may be desirable.

(c) The Commissioner may publish one or more standard forms of by-laws conforming to the provisions of this Act which may be adopted by associations. (As amended by act approved July 23, 1965.)

ARTICLE 3—Membership and Management.

Section 3-1. Members.)

(a) The membership of an association consists of:

(1) Every holder of a share account, or of one or more withdrawable or permanent reserve shares, issued by the association; and

(2) Every borrower from the association, as long as his loan remains unpaid and he remains liable to the association for the payment thereof; and every obligor of an investment made by the association under the provisions of the section of this Act concerning Investments in Obligations of Members; each of which members shall be known as a borrowing member.

(b) Each joint ownership and each joint obligation shall constitute one membership. (As amended by act approved July 11, 1957.)

Section 3-2. Members' Meetings.)

(a) Each annual meeting of members shall be held at the time specified in the articles of incorporation; but the failure to hold an annual meeting at the time so specified shall not work a forfeiture or dissolution of the association. The board of directors, or the holders of not less than twenty per cent (20%) of the outstanding permanent reserve shares or of the withdrawal value of all withdrawable capital of the association, or such other person or persons as may be designated by the by-laws, may call a special meeting of the members. Every annual or special meeting shall be held at the business office of the association, or, if the space therein available for such meeting is inadequate, in such other place within the same county as shall be specifically designated in the notice of such meeting. Notice of an annual meeting shall be published once not less than ten (10) days nor more than forty (40) days before the date of the meeting. However, for any special meeting, or for any annual meeting which is to consider any proposition the affirmative action on which requires a two-thirds vote as set forth in this Act, the notice shall be by mail. Published or mailed notice shall state the place, day, hour and purpose of the meeting.

(b) A quorum at any meeting of the members shall consist of the members present in person or represented by proxy, who are entitled to cast a majority of the total number of votes which all members of the association are entitled to cast at such meeting; except that the articles of incorporation may specify some other quorum requirement, but not less than one-third of such total number of votes. Any meeting, including one at which a quorum is not present, may be adjourned by majority vote to a specified date without further notice.

(c) Voting at a meeting may be either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

(d) In the determination of all questions requiring ascertainment of the members entitled to vote and of the number of outstanding shares, the following rules shall apply:

(1) The date of determination shall be as provided in the section of this Act concerning Record Date for Voting, Dividend and Other Purposes.

(2) Each person holding one or more withdrawable share accounts shall have the vote of one share for each one hundred dollars of the aggregate withdrawal value of such accounts, and shall have the vote of one share for any fraction of one hundred dollars.

(3) Each holder of permanent reserve shares shall have one vote for each permanent reserve share which he holds.

(4) Each borrowing member as such shall have the vote of one share in addition to any vote which he may have otherwise.

(5) Shares owned by the association shall not be counted or voted. (As amended by act approved July 11, 1957.)

Section 3-3. Record Date for Voting, Dividend and Other Purposes.) For the purpose of determining the holders of shares, capital accounts, and membership entitled to notice of or to vote at any meeting of the members, or in order to make a determination of the members, holders, or other persons for any other proper purpose, the by-laws may provide for a record date, not less than ten (10) days nor more than forty (40) days before the meeting, or other event or transaction with regard to which the determination is to be made; and such determination shall be made as of the close of business on such record date. If the by-laws do not provide for a record date, the board of directors may fix such a date for each such determination, within the time stated above; and if the board of directors shall fail to so fix a date, the record date for a meeting shall be the date on which the first notice of meeting is given. Shares or share accounts withdrawn or retired after such record date shall not be voted or counted in determining the number of shares outstanding. This section shall be applicable to the dividend payments on permanent reserve capital; but dividends on withdrawable capital shall be governed by the section of this Act concerning Dividends. (As amended by act approved July 11, 1957.)

Section 3-4. Directors.) The business and affairs of the association shall be exercised by its board of directors, which shall be elected, and shall exercise its powers, as follows:

(a) The board of directors shall consist of the number of directors fixed by the articles of incorporation but shall be not less than 5; all directors shall be bonafide members of the association; and at all times at least two-thirds of the directors shall be residents of this State.

(b) Directors shall be elected for one year and shall serve until their successors are elected and qualified. In all elections of directors cumulative voting shall be permitted as provided in the Constitution of this State.

(c) In the event of a vacancy on the board of directors from any cause, the remaining directors shall have full power and authority to continue the management of the association. Each vacancy may be filled by election at a special meeting of the members.

(d) The board of directors shall hold regular meetings as provided in the by-laws. Special meetings may be held as provided in the by-laws, and also upon call by the Commissioner after not less than 12 hours' notice by personal or mail service to each director.

(e) A majority of the board of directors shall constitute a quorum for the transaction of business unless a greater number is required in the by-laws. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by law, the articles of incorporation, or the by-laws.

(f) The board of directors shall have all powers which are necessary and proper to enable the association to accomplish its purposes.

(g) The board of directors may adopt or amend by-laws, but no by-law shall be effective until it has been submitted to and approved by the Commissioner as being in conformity with this Act. Each adopted amendment shall be subject to the same inquiry by the Commissioner as the corresponding provision in the original by-laws of the association except as provided in sub-section (h).

(h) If a by-law amendment provides for a change in the location of an association's business office to a location which is more than one mile distant from the existing location, the Commissioner shall not approve the amendment unless he finds that (1) a need exists for an association in the proposed new location (2) the capital of the association meets the minimum initial capital requirements of this Act with respect to the new location; (3) the proposed change of location can be effected without undue injury to other properly conducted associations; and (4) notice of the association's proposal to change location has been published at least once in the community of the proposed new location. The Commissioner may hear evidence to determine his findings at any time prior to his approval or disapproval of the amendment; and he may require, as a condition of his approval, ratification of the amendment by the vote (at a meeting of the members) or the written consent of the members of the association who are entitled to cast a majority of the total number of votes which all members of the association are entitled to cast. (As amended by act approved July 23, 1965.)

Section 3-5. Waiver of Notice.) Whenever notice is required to be given under this Act, a waiver thereof in writing signed by the person or persons entitled to said notice, shall be deemed equivalent thereto.

Section 3-6. Officers; Suspension and Removal of Officers, Directors, and Employees.)

(a) The officers of an association shall consist of a president, one or more vice presidents, secretary, treasurer, and such other officers as the by-laws shall provide, to be elected by the directors; if the by-laws so provide, any two or more offices may be held by the same person, except that one person shall not hold the offices of president and secretary. The duties and powers of the secretary set forth in this Act may be exercised by any other officer designated by the board of directors.

(b) The existence of an association shall not terminate by reason of the failure to elect officers at the time mentioned in the by-laws, and each officer shall hold his office until his successor is elected and qualified.

(c) Whenever any officer, director, or employee of an association is charged in any indictment with the commission of or participation in a crime involving the affairs of any association incorporated under this Act, a federal association, or any other financial institution, the Commissioner may, by written notice served upon such officer, director, or employee, suspend him from office. Such suspension shall remain in effect (unless such officer, director, or employee sooner resigns or is not reappointed or reelected at the expiration of his term of office) until such officer, director, or employee is convicted or is adjudged not guilty of such offense or the indictment is dismissed or otherwise disposed of. If such officer, director, or employee is convicted of such offense, he shall thereupon cease to be an officer, director, or employee of such association; but if he is found not guilty, his suspension shall automatically be terminated. (As amended by act approved July 23, 1965.)

Section 3-7. Bonds of Officers and Employees.)

(a) Every person appointed or elected to any position requiring the receipt, payment, management or use of money belonging to an association, or whose duties permit him to have access to or custody of any of its money or securities or whose duties permit him regularly to make entries in the books or other records of the association, before assuming his duties shall become bonded in some fidelity insurance company licensed to do business in this State. Each such bond shall be on a form or forms as the Commissioner shall require and in such amount as the board of directors shall fix and approve.

(b) Nothing contained herein shall preclude the Commissioner from proceeding against an association as provided in this Act should he believe that it is being conducted in an unsafe manner in that the form or amount of bonds so fixed and approved by the board of directors is inadequate to give reason-

able protection to the association. (As amended by act approved July 23, 1965.)

Section 3-8. Access to Books and Records; Communication with Members.)

(a) Every member or holder of capital shall have the right to inspect such books and records of the association as pertain to his account. Otherwise, the right of inspection and examination of the books and records shall be limited to the Commissioner, as provided in this Act, and to any Federal instrumentality or agency authorized to inspect or examine the books and records of an insured association; and no other person shall have access to the books and records except upon express authority of the board of directors, or shall be entitled to a list of the members.

(b) However, if any member desires to communicate with the other members of the association with reference to any question pending or to be presented at a meeting of the members, the association shall give him upon request a statement of the approximate number of members entitled to vote at such meeting and an estimate of the cost of preparing and mailing such communication. The requesting member then shall submit the communication to the Commissioner who, if he finds it to be appropriate and truthful, shall direct that it be prepared and mailed to the members, upon the requesting member's payment or adequate provision for payment of the expenses of such preparation and mailing. (As amended by act approved July 23, 1965.)

ARTICLE 4—Capital.

Section 4-1. Types of Capital; Personal Property.)

(a) The capital of an association may be represented by withdrawable capital accounts (shares and share accounts) or permanent reserve shares or both, as provided in this article and as authorized by the articles of incorporation.

(b) All shares and capital accounts shall be personal property in the hands of their holders, transferable as provided in this Act and the by-laws of the association. (As amended by act approved July 11, 1957.)

Section 4-2. Withdrawable Capital.) Withdrawable capital accounts shall be:

(a) Withdrawable and subject to enforced retirement as provided in this article. Nothing in this act shall prevent the withdrawal of funds from an association by non-negotiable order.

(b) Entitled to dividends as provided in this article;

(c) Nonassessable for either debts or losses of the association;

(d) Issued on such plan or plans of payment therefor or thereon and in such series or classes

as the by-laws may provide, which plan or plans of payment may include;

(1) Regular installment plan: agreed weekly or monthly payments, with dividends credited to or in behalf of the account until the ultimate value agreed upon in the subscription is reached;

(2) Full paid plan: one single payment of one hundred dollars (\$100) per unit with dividends payable in cash unless by agreement credited to the account;

(3) Pre-paid plan: one single payment in such amount per unit as is set forth in the by-laws, with dividends credited to such account until the ultimate value of one hundred dollars (\$100) per unit is reached;

(4) Optional plan: payment in such amount or amounts and at such times as the holder may elect, with dividends credited to such account unless by agreement payable in cash;

(5) Other plans: any other plan of payment which the Commissioner may approve as conforming to a sound savings and loan practice. (As amended by act approved July 23, 1965.)

Section 4.3. Permanent Reserve Shares — Nature.) Permanent reserve shares shall constitute a secondary reserve out of which losses shall be paid after all other available reserves have been exhausted, and shall have a par value of one dollar (\$1.00) each or such greater amount as the articles of incorporation may prescribe; and such shares shall be:

(a) Nonwithdrawable, except as provided in the section of this article on Retirement or Reduction of Permanent Reserve Capital, until all liabilities of the association have been satisfied in full, including payment of the withdrawal value of all other types or classes of capital.

(b) Entitled to dividends only as provided in the section of this article concerning Dividends.

(c) Issued only upon cash payment of not less than the par value thereof, or in exchange for the withdrawal value of withdrawable capital accounts, or in connection with a merger, sale of all assets, or conversion, or as stock dividends as provided in the section of this article on Dividends. (As amended by act approved July 11, 1957.)

Section 4.4. Permanent Reserve Shares — Authorization of Issuance; Minimum Amount.)

(a) An association may provide for the issuance of permanent reserve shares, either by its original articles of incorporation or by an amendment thereto.

(b) The aggregate par value of the initial issue of permanent reserve shares shall be not less than the minimum initial permanent reserve capital which the association, if it were being organized, would be required to have under the provisions of the section of this Act concerning Applicants and

Initial Capital; and also shall not be less than the amount computed by adding 3% of the first \$5,000,000 of the aggregate withdrawal value of the association's withdrawable capital, 2% of the next \$2,500,000 of such capital and 1% of any excess of such capital over \$7,500,000.

(c) Any plan for the issuance of permanent reserve shares shall be subject to the approval of the Commissioner as being equitable and in conformity with the provisions of this Act, and the rules and regulations of the Commissioner pertaining thereto. (As amended by act approved July 23, 1965.)

Section 4-5. Permanent Reserve Shares—Rights of Existing Shareholders.) When an association already in operation amends its articles of incorporation to authorize the issuance of permanent reserve shares:

(a) The association shall mail notice to each shareholder who was entitled to vote at the meeting at which the amendment was adopted, giving him the prior right for at least sixty (60) days after the date of mailing such notice, to subscribe to the initial issue of permanent reserve shares, in the same proportion which the withdrawal value of such holder's share account bears to the aggregate withdrawal value of all withdrawable share accounts in the association. Such rights to subscribe shall be transferable. No fraction of an original permanent reserve share need be issued, but in such case fractional subscription rights may be combined to authorize the subscription to one or more whole permanent reserve shares. Fractional subscription rights need not be issued for an account the withdrawal value of which is less than ten dollars (\$10.00).

(b) Unless other provision is made with respect to reserves and undivided profits, as authorized by sub-section (f) of this section, the board of directors shall determine, as of the day prior to the effective date of the amendment, the total amount of loss reserves, undivided profits, and unallocated reserves after making allowances for accrued dividends and expenses, losses not provided for, and such similar items as are chargeable against the income of the association since the last previous apportionment date. The amount so fixed shall constitute a segregated surplus of the association and may be retained in, or allocated to, such reserve accounts, undivided profits accounts, or surplus accounts as may be lawful; and other earnings of the association accruing after the effective date may be allocated to said segregated surplus and an equal amount then may be transferred to any other unsegregated account.

(c) Such segregated surplus shall be available for losses from the depreciation of securities or otherwise, except that any loss resulting from operations, including loans and investments made or purchased after the effective date of the amendment, shall be charged first to loss reserves and undivided profits created after such date until the same are exhausted.

(d) If the association merges with another as provided in this Act, the balance of such segregated surplus shall continue to be held in a segregated account or accounts for the same use and disposition as though no merger had occurred.

(e) If the association liquidates or effects a sale of all or substantially all of its assets the balance of such segregated surplus shall be distributed to each holder of its capital in the proportion that the amount of his account bears to the total capital.

(f) In lieu of the establishment of a segregated surplus as provided in this section, the plan for the issuance of permanent reserve shares may include such other provisions with respect to the surplus, reserves and undivided profits of the association as may be approved by the vote (at a meeting of the members) or the written consent of the members of the association who are entitled to cast two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast, and in such case the surplus, reserves and undivided profits shall be retained and disposed of in accordance with such plan. (As amended by act approved July 11, 1957.)

Section 4-6. Permanent Reserve Shares—Advertisement; Sale; Collection of Subscriptions.)

(a) All prospectuses and advertising matter regarding the subscription for permanent reserve shares shall include a statement to the effect that such permanent reserve shares are not insured.

(b) No association shall pay to any person any commission or other compensation for obtaining any subscription to or sale of permanent reserve shares.

(c) The board of directors shall establish a separate account to receive all funds paid in for permanent reserve shares, and shall maintain such account until further action is authorized as follows:

(1) When the aggregate amount of such funds equals or exceeds the amount of the minimum initial permanent reserve capital which the association must obtain, and either the board of directors has decided by resolution to proceed under the permanent reserve share plan, or one year has elapsed from the date on which the issuance of permanent reserve shares was authorized and the board has taken no action, then the separate account may be terminated and the funds may be transferred to the association's general account.

(2) If the aggregate amount of such funds fails to reach the amount of the minimum initial permanent reserve capital which the association must obtain and one year has elapsed from the date on which the issuance of permanent reserve shares was authorized; or if the board of directors, within such one year period, has decided by resolution to abandon the permanent reserve share plan; then the funds in the separate account shall be returned to the respective subscribers and shall not

become a liability of the association or its officers or directors. (As amended by act approved July 11, 1957.)

Section 4-7. Retirement or Reduction of Permanent Reserve Capital.)

(a) The board of directors of an association operating with permanent reserve capital may propose an amendment to the articles of incorporation providing for the retirement of all of the permanent reserve capital, and a detailed plan for effectuating such amendment. The resulting capital of the association shall be not less than the minimum initial capital which the association, if it were being organized, would be required to have under the provisions of this Act concerning Applicants and Initial Capital. The proposal shall be submitted to the Commissioner for his approval.

(b) If the Commissioner approves the proposal, the association's board of directors may request in writing an appraisal of the value of the permanent reserve shares; and the Commissioner then shall cause such an appraisal to be made, allowing proper credit to such shares from the association's segregated surplus, if any exists, and from other reserves and undivided profits. The value of the permanent reserve shares so determined may be considered in the further proceedings under this section.

(c) The proposal then may be submitted to the members at an annual or special meeting. It shall be adopted upon receiving in the affirmative the votes of the holders of two-thirds or more of the outstanding permanent reserve shares, and also two-thirds or more of the total number of votes which all other members of the association are entitled to cast thereon. The proposal shall become effective upon completion of the procedure provided in this Act for the amendment of articles of incorporation.

(d) An association may amend its articles of incorporation, in accordance with the procedure provided in this Act for such amendments, to reduce its permanent reserve capital, but in no event to an amount which is less than the minimum permanent reserve capital which the association would be required by this Act to issue if it were newly authorized to issue permanent reserve capital. (As amended by act approved July 23, 1965.)

Section 4-8. Issuance, Delivery and Transfer of Certificates and Account Books.)

(a) Every capital account shall be evidenced by one or more appropriate certificates; and either such certificates or an account book, or both, shall be delivered to the holder of such account. The wording, type, and form of the certificates and account books issued by an association shall be subject to the approval of the Commissioner.

(b) The holder of a withdrawable capital account may transfer his rights therein absolutely or

conditionally to any other person eligible to hold the same, by written assignment accompanied by delivery of the appropriate certificate or account book; but notwithstanding the effectiveness of such a transfer between the parties thereto, the association may treat the holder of record as the owner of the account for payment, voting, and all other purposes until such assignment and any accompanying certificate or account book have been received by the association with a request for the transfer on the association's records.

(c) Withdrawable capital certificates, account books, and any other evidences of membership shall be nonnegotiable and not subject to Article 8 of the Uniform Commercial Code concerning Investment Securities. Permanent reserve share certificates shall be subject to the provisions of Article 8 of the Uniform Commercial Code concerning Investment Securities.

(d) All withdrawable capital certificates and account books, delivered to the holders as prescribed by this article, shall be subject to attachment and execution as provided by the laws of this State, and the association shall not be subject to garnishment proceedings concerning any capital account, except with respect to a certificate or account book in the association's possession, and when

(1) Neither a certificate nor an account book has been delivered to the holder as required by this section, or

(2) The certificate and account book (or either of them if only one has been delivered) have been returned to the association's possession.

(e) If the holder of a withdrawable capital account, or the personal representative of any such person, shall file with the association an affidavit to the effect that his account book or certificate has been lost or destroyed, and that such account book or certificate has not been pledged or assigned either in whole or in part, then such association may issue a substitute account book or certificate in the name of such holder, with a statement therein that such account book or certificate is issued in lieu of the one lost or destroyed. The association shall not be liable thereafter with respect to the original account book or certificate; but the board of directors may require a bond in sufficient amount to indemnify the association against any loss which might result from the issuance of such substitute account book or certificate. (As amended by act approved July 23, 1965.)

Section 4-9. Who May Hold Capital and Membership.) Withdrawable capital accounts, permanent reserve shares, and membership in an association, may be held:

(a) By any individual in his own right, regardless of his age or marital status, or by two or more of such individuals;

(b) By a fiduciary, when authorized by law;

(c) By a government or governmental instrumentality when authorized by law;

(d) By any corporation or other person as defined in this act when not prohibited by law. (As amended by act approved July 11, 1957.)

Section 4-10. Joint Account; Trust Account; Payment on Death Account.)

(a) If two or more persons opening or holding a withdrawable capital account shall execute a written agreement with the association or federal association providing that the account shall be payable to any or the survivor of them, the account, and any balance thereof which exists from time to time, shall be held by them as joint owners with right of survivorship and, unless otherwise agreed, any payment by the association or federal association to any of such persons shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. A pledge of such account by any holder or holders including minors authorized to withdraw amounts from such accounts shall, unless otherwise specifically agreed, be a valid pledge and transfer of the account and shall not operate to sever or terminate the joint and survivorship ownership of all or any part of the account.

(b) If one or more persons opening or holding a withdrawable capital account shall execute a written agreement with the association or federal association providing that the account shall be held in the name of such person or persons as trustees for one or more persons designated as beneficiaries, the account and any balance thereof which exists from time to time, shall be held as a trust account and unless otherwise agreed between the trustees and the association or federal association:

(1) Any such trustee during his lifetime may change any of the designated beneficiaries by a written direction accepted by the association or federal association; and

(2) Any such trustee may withdraw or receive payment in cash or check payable to his personal order and any payment or withdrawal shall constitute a revocation of the agreement as to the amount withdrawn; and

(3) Upon the death of the last surviving trustee the person or persons designated as beneficiaries who are living at the death of the last surviving trustee shall be the holders of the account (as joint owners with right of survivorship if more than one) and any payment to the holder or any of such holders shall be a complete discharge of the association's or federal association's obligation as to the amount so paid.

(c) If a person opening or holding a withdrawable capital account shall execute a written agreement with the association or federal association providing that on the death of the person named as holder, the account shall be paid to or held by another person or persons, the account, and any bal-

ance thereof which exists from time to time, shall be held as a payment on death account and unless otherwise agreed between the persons opening the account and the association or federal association:

(1) Upon the death of the holder of the account, the person or persons designated by him and who have survived him shall be the owners of the account (as joint owners with right of survivorship if more than one) and any payment made by the association or federal association to any of such persons shall be a complete discharge of the association's or federal association's obligation as to the amount paid; and

(2) The person to whom such account is issued may change during his lifetime the designation of any of the persons who are to be holders at his death, by a written direction accepted by the association or federal association; and

(3) The person to whom such account is issued may withdraw or receive payment and any payment made by the association or federal association shall be a complete discharge as to the amount paid.

(d) Whenever in any of the above situations, none of the beneficiaries of a trust account and none of the persons designated to hold on death in a payment on death account, survive the last trustee or person to whom the payment on death account is issued, the account, and any balance thereof which exists from time to time, shall be held by the trustee or holder of the account in his own right, unless it is otherwise agreed.

(e) No addition to any account, nor withdrawal, payment, revocation, or change of beneficiary or payee shall affect the nature of the account as a joint account with right to survivorship, trust account, or payment on death account.

(f) Any association or federal association may continue to recognize the authority of an attorney authorized in writing to manage or to make withdrawals either in whole or in part from the withdrawable capital account of a member until it receives written notice or actual notice of the death or adjudication of incompetency of such member or revocation of the authority of such attorney. Any payment by the association or federal association to an attorney prior to receipt of such notice shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. (As amended by act approved August 14, 1961.)

Section 4-11. Effect of Payment to Minor or Fiduciary.) Unless the written agreement provides otherwise, or unless the association or federal association has had written notice of the terms under which a fiduciary holds a withdrawable capital account, the association or federal association may make loans on the security of withdrawable capital accounts or pay the value thereof and dividends thereon:

(a) To any minor who is a holder of such withdrawable capital account;

(b) To such fiduciary who is the holder of such account without becoming liable to any beneficiary for such payment.

In each of the foregoing instances the receipt or acquittance of the person or persons to whom payment is made in accordance with the provisions of this section shall be a complete discharge of the association's or federal association's obligation as to the amount so paid. In the case of a minor, the receipt, acquittance, pledge or other action required by the association to be taken by the minor shall be binding upon such minor with like effect as if he were of full age and legal capacity. (As amended by act approved August 14, 1961.)

Section 4-12. Payment on Incompetency or Death of Holder in His Own Right of Withdrawable Capital.)

(a) If the holder in his own right of a withdrawable capital account becomes incompetent and adjudication thereof has been made by a court of competent jurisdiction, then the association may pay the value of such withdrawable account and dividends thereon:

(1) To the conservator of such holder in his own right upon his appointment and qualification;

(2) In the case of small estates as defined in the Probate Act where the appointment of a conservator is unnecessary, then to the persons entitled thereto in accordance with the provisions of the Probate Act.

Until the association has actual knowledge that such holder has been adjudicated incompetent, it may pay to him personally and his receipt or acquittance therefor shall be a complete discharge of the association as to the amount so paid.

(b) Upon the death of a holder in his own right of a withdrawable capital account the association upon receipt of proper inheritance tax waivers may pay the value thereof and dividends thereon:

(1) To the personal representative of such deceased holder if and when qualified, in the manner provided in this Act for the voluntary withdrawal of accounts generally.

(2) In the case of small estates as defined in the Probate Act where no personal representative is appointed, then to the persons entitled thereto in accordance with the provisions of the Probate Act.

(3) After one year from the date of decedent's death, where no personal representative has been appointed and no action has been taken to obtain payment as in the case of small estates under the Probate Act, the association in its discretion may make payment to the surviving spouse or next of kin of the holder or other persons entitled thereto as in the case of small estates as provided in the Probate Act; and the association shall not become liable to any personal representative of the decedent there-

after appointed, but the directors may require a bond to indemnify the association against loss by reason of such payment.

Section 4-13. Voluntary Withdrawal of Capital Accounts.)

(a) A holder of withdrawable capital may make application for withdrawal of, and the association may pay, all or any part of the withdrawal value thereof at any time. However an association may enter into a contract pursuant to the laws of the United States or this state as they now are or as they may be amended or supplemented and such contract may in reference to said law provide among other things that no withdrawal may be made except as provided by such law specifically referred to in the contract or the certificate of withdrawable capital.

(b) If the association has insufficient funds in the treasury and from current receipts to pay all matured accounts and applications for withdrawal, within 30 days after such accounts mature or payment is requested, then the board of directors shall provide by resolution:

(1) The amount of money available in each calendar month to pay maturities and withdrawals, in accordance with safe and required operating procedure; but after making provision for expenses, debts, obligations, and cash dividends on capital accounts, due or to become due, not less than 50% of the remainder of such treasury funds and current receipts shall be made available for the payment of withdrawals and maturities;

(2) For a list of matured capital accounts in order of maturity, and if in the same series, in order of issuance in such series; and also of applications for withdrawals in chronological order of filing. Separate lists may be established for such purposes, in which event the resolution shall provide the proportion of available money which shall be applied to each list;

(3) For a maximum sum, which shall not exceed \$1,000, which may be paid to any one holder at any one time; and if any holder's application for withdrawal or for payment of matured shares exceeds the sum so fixed, then he shall be paid in his turn the sum so fixed, and his application, reduced by such payment, shall be deemed refiled in its order as if filed on the date of such payment. Such limited payment may be made on a fixed date in each month and such refiling and renumbering, as the case may be, may take place on the same date in each subsequent month as long as any applications remain unpaid;

(4) For a maximum sum, which shall not exceed \$200, which may be paid on any application for withdrawal or to any one holder of matured shares in any calendar month, regardless of the order of application.

(c) Withdrawable capital pledged as sole security for a loan shall be subject to the withdrawal

provisions of this section, but amounts available for payment on the application for withdrawal shall be applied first to the repayment of the loan balance.

(d) Withdrawable capital may be accepted by the association in payment or part payment for any real estate or other assets owned by the association; but if the association has a list of withdrawals or withdrawals and maturities, such sale of assets shall be to the highest bidder, and at least 10 days notice of the proposed sale shall be given by mail to all holders of withdrawable or matured capital whose names appear on the withdrawal or maturity list.

(e) No holder shall have more than one application for withdrawal in effect at any one time; but a holder may cancel his application or reduce the amount thereof at any time as to any amount not yet paid.

(f) The holder of withdrawable capital for which application for withdrawal has been made, does not become a creditor by reason of such application.

(g) The board of directors of any association operating on the serial plan or with regular installment or prepaid shares on which dividends have not been credited directly to the share accounts, may determine by resolution the portion of profits which may be paid to withdrawing members. (As amended by act approved July 23, 1965.)

Section 4-14. Maturity of Shares.)

(a) When a regular installment or prepaid share reaches maturity value by reason of payments or dividend credits, or both, all payments thereon by the holder shall cease. The association either shall pay to the holder the maturity value of such share, in accordance with the provisions of this article, or shall mail a notice to the holder at his last known address as it appears on the association's records, to the effect that he is entitled to receive payment for such share or to transfer the same or such portion thereof as the directors may specify, into other withdrawable capital, and that if he takes neither action within sixty (60) days after the date on which such notice is mailed, the value of such share may be held in a creditor account without interest or dividends, available for the holder upon his application, or the board of directors may transfer such share to another withdrawable account of equivalent value on which dividends shall accrue as on a new account opened on the transfer date.

(b) If the association has insufficient funds to make immediate payment upon the date of maturity of any shares, such shares shall be listed in the order of their respective dates of maturity, and shall be paid in the manner provided in the section of this article concerning Voluntary Withdrawal of Capital Accounts. Shares in the same series maturing on the same date shall be listed, as of such date, in the order in which they were issued in that series. From the date of maturity until payment, dividends shall be apportioned to such matured

shares at a rate to be determined by resolution of the board of directors. Dividends so apportioned shall be accumulated to the credit of such shares and shall be paid to the holder at the time when the shares are paid. However, the rate of such dividends shall not exceed the highest rate being currently apportioned to any other shares.

Section 4-15. Enforced Retirement of Withdrawable Capital Accounts.)

(a) The board of directors, when authorized by the by-laws, and in conformity with the provisions of this section and of the by-laws, may retire any withdrawable capital accounts which have not been pledged as security for loans by enforcing the retirement thereof.

(b) A thirty (30) day notice of such enforced retirement shall be given to the holder of an account to be retired, and after the end of such thirty (30) day period, the holder shall not be entitled to further dividends, but shall be paid the full withdrawal value of his account as determined at the last preceding apportionment of profits, plus all payments made since such apportionment, and plus such additional dividends as the board of directors may determine to be equitable and within the earning rate of the association for the period which has elapsed since the last preceding apportionment of profits, but less any unpaid charges. However, all accounts upon which applications for voluntary withdrawal have been received, and all shares which have matured, shall be paid first in accordance with the provisions of this article.

Section 4-16. Authorized Charges Applicable to Members.)

(a) An association may charge an initial membership fee and a fee for transfer of membership or capital, but no such fee shall exceed twenty-five cents (25c) per share or per one hundred dollars (\$100) of the account.

(b) The association's by-laws may provide for a charge or penalty for the non-payment when due, of agreed payments on capital accounts, and of installments, interest, or premiums on loans; but no such charge or penalty shall exceed the sum of two cents (2c) per dollar of the amount payable in any one month, and no such charge or penalty shall be either compounded or cumulated. However, if a loan has been predicated on a membership entitling the borrowing member to a vote of one share, no such charge or penalty shall exceed the sum of five cents (5c) per month per dollar of the amount payable, or in lieu thereof such further interest charge as may be provided in the loan contract.

(c) All fees, charges, and penalties collected shall be accounted for as a part of the receipts of the association. (As amended by act approved July 11, 1957.)

Section 4-17. Capital Accounts Subject to Liens.)
Every withdrawable capital account shall be subject

to a lien for the payment of such charges as lawfully may accrue thereon under the provisions of this Act, and the by-laws may prescribe the manner of enforcing such lien; but no member shall be responsible for any losses which the then existing assets of the association shall not be sufficient to satisfy, or for any unpaid installment upon his account which is not yet due under the terms of his subscription.

Section 4-18. Apportionment of Profits.) The board of directors shall apportion the profits of the association, at least annually and as much more often as the by-laws may prescribe; and each apportionment shall be made in accordance with the following procedure:

(a) A proper allocation first shall be made to the contingent reserve and to any other reserve required by the section of this article concerning Reserves.

(b) Additional allocations then may be made to such special reserves as the board of directors may have established in accordance with the section of this article concerning Reserves.

(c) Dividends then may be declared, first on withdrawable shares and share accounts and thereafter on permanent reserve shares, in accordance with the provisions of this Act and the by-laws.

(d) The residue of such profits may be held as "undivided profits," subject to use in the same manner as profits generally; but except upon prior approval by the Commissioner the total amount of "undivided profits" at no time shall exceed 5% of the aggregate withdrawal value of the association's withdrawable capital. (As amended by act approved July 23, 1965.)

Section 4-19. Reserves.)

(a) Each association shall have a contingent reserve to which the board of directors shall allocate such portion of the association's profits as the board may determine; except that whenever the total amount of such reserve together with special reserves for losses and the insurance reserve of an insured association is less than $7\frac{1}{2}\%$ of the aggregate withdrawal value of the association's withdrawable capital accounts, the allocation to such contingent, special reserve or the insurance reserve of an insured association upon each apportionment of profits shall total not less than 10% of the profits being apportioned, or such lesser portion as will increase the aggregate of such reserves to the required total amount. In lieu of the requirements specifically set forth in the preceding sentence, an insured association may make such allocations to the reserves as may from time to time be required by the insurance corporation. (As amended by act approved July 16, 1963.)

(b) The board of directors may establish and maintain such special reserves as they may deem advisable, to provide for losses or liabilities; the contingent reserve, or any of such special reserves,

may be designated as the insurance reserve for an insured association, or transfers from such reserves in whole or in part may be made to the insurance reserve; and losses may be charged to such reserves as the board of directors may determine.

(c) In addition to the foregoing reserves, an association operating under a bonus plan, as authorized by the section of this Act concerning Bonus Plans, shall establish and maintain a bonus reserve in such an amount as will be sufficient to satisfy the obligations of such plan; and any excess amount in said reserve may be transferred from time to time to undivided profits. (As amended by act approved August 14, 1961.)

Section 4-20. Dividends.)

(a) Subject to the restrictions set forth in this section and the association's by-laws, the board of directors from time to time may determine the rate and amount of dividends to be paid on capital, and for that purpose may establish reasonable classifications of withdrawable capital accounts, based on (1) types or classes of such accounts, or (2) the length of time accounts are continued in effect, or (3) size of initial payments on accounts, or (4) minimum balances of accounts during apportionment periods, or (5) frequency and extent of the activity of accounts, or (6) such other classifications as the Commissioner may approve; and the Commissioner is authorized to prepare model plans of classifications for adoption by associations.

(b) However, the declaration of dividends on capital shall be subject to the following restrictions:

(1) No dividends shall be declared when the total amount of the contingent reserve is less than that required by the section of this Act concerning Reserves, unless the allocation provided by said section has been made.

(2) Regardless of any dividend rate to which any class of withdrawable share account is entitled, by limitation as expressed in the appropriate certificate or account book, or by action of the board prior to the date of the dividend declaration, no dividend shall be declared on such class which exceeds the dividend rate currently declared on withdrawable share accounts which are unlimited as to participation in dividends.

(3) The rate of dividend allocated to withdrawable share accounts which according to their terms are unlimited as to participation in dividends, shall not exceed by more than 1% the rate of dividends allocated to the class of share accounts which is entitled to the highest limited rate of participation, unless the total withdrawal value of such unlimited accounts is more than 20% of the aggregate withdrawal value of all withdrawable capital of the association, or unless the association has discontinued the issuance of unlimited accounts, or unless unlimited accounts are being offered and made available for issuance without discrimination.

(4) No dividends shall be declared on permanent reserve shares until after payment or

provision has been made for all expenses, losses, required reserves, and dividends on withdrawable capital; or at a time when the par value of all the permanent reserve shares outstanding, all undivided profits, and all reserves available for losses, total less than 5% of the aggregate withdrawal value of the association's withdrawable capital, or when the payment of such a dividend would reduce such total amount to less than such 5%. However, a stock dividend may be declared out of undivided profits at any time.

(c) A dividend need not be allocated to any share account, other than a regular installment share account, which has a withdrawal value of less than \$10 on the record date with respect to which the dividend is paid; and no allocation need be made to a share account which by written agreement will be closed within 15 months of the date on which such account is opened.

(d) The board of directors shall determine by resolution the method of calculating the amount of any dividend on withdrawable capital, and the date on which the same is to be declared or credited; but no payment or credit shall be made more than 10 days before the end of any apportionment period. (As amended by act approved July 23, 1965.)

Section 4-21. Bonus Plans.) For the purpose of encouraging thrift, systematic savings, and long term investment, the board of directors may establish by resolution bonus plans for holders of withdrawable capital accounts; and the board then shall transfer from the periodical profits of the association additional amounts to a bonus reserve as provided in the section of this Article concerning Reserves, from which reserve payments to holders complying with such plans shall be paid. Every bonus so paid shall be deemed a premium and shall not be construed as a dividend. The bonus plans shall be in accordance with the following provisions:

(a) The holder shall agree to make regular payments at least monthly, of any predetermined amount, until the payments together with dividends apportioned thereto equal two hundred (200) times the agreed monthly payment and without a delay of more than sixty (60) days in any payment, without a prepayment of more than twelve (12) months and without making application for withdrawal of all or any part of the account. At the end of the bonus period, the holder shall receive, in addition to the regular monthly payments and dividends apportioned thereto, a bonus at the rate of one per cent (1%) per annum computed on the withdrawal value of the account at each apportionment of profits. However, if the holder shall apply for withdrawal of his account in part or in full or shall fail to meet any and all the other terms of his bonus agreement after such account, including dividends apportioned thereto, has reached:

(1) At least fifty (50) but less than one hundred (100) times the agreed monthly payment upon his account in accordance with the terms there-

of, such holder shall be entitled to receive one-fourth ($\frac{1}{4}$) of the bonus allocable to such account;

(2) At least one hundred (100) but less than one hundred fifty (150) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive one-half ($\frac{1}{2}$) of such bonus allocable to such account;

(3) At least one hundred fifty (150) but less than two hundred (200) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive three-fourths ($\frac{3}{4}$) of such bonus allocable to such account.

(b) The holder shall subscribe to a long-term investment plan providing that if he maintains in his account an agreed balance (1) if for a period of four (4) years, he shall be paid a bonus of an agreed rate not to exceed one-half of one per cent per annum, or (2) if for a period of eight (8) years, he shall be paid a bonus of an agreed rate not to exceed one per cent per annum. The plan may state the minimum and maximum balances on which a bonus may be paid.

(c) If the association effects an enforced retirement of an account which is under a bonus plan before the bonus becomes payable according to the plan, the portion of the bonus reserve allocable to the account shall be paid to the holder.

(d) Other Bonus Plan. Any bonus plan other than those provided for by paragraph (b) of this Section may be established for the purpose of encouraging thrift, systematic savings or long-term investment upon approval by the Commissioner by general regulation, except that any such other bonus plan so approved shall not allow a bonus in excess of that allowed for Federal associations. (As amended by act approved July 23, 1965.)

ARTICLE 5—Investments.

Section 5-1. Investment in Obligations of Members.) An association may loan funds to members as follows:

(a) On the security of withdrawable capital accounts, but no such loan shall exceed the withdrawal value of the pledged account;

(b) On the security of real estate:

(1) Of a value, determined in accordance with the section of this Act concerning Appraisals, sufficient to provide good and ample security for the loan; and

(2) With a fee simple title which is unencumbered except as permitted in the section of this Article concerning Real Estate Encumbrances; or

(3) A leasehold title of not less duration than 14 years beyond the maturity of the loan; and

(4) With the title established by such evidence of title as is consistent with sound lending practices in the locality; and

(5) With the security interest in such real estate evidenced by an appropriate written in-

strument and the loan evidenced by a note, bond or similar written instrument. A loan on the security of the whole of the beneficial interest in a land trust shall be deemed to satisfy the requirements of this paragraph if the title to the land is held by a corporate trustee and if the real estate held in the land trust meets the other requirements of this subsection.

(c) For the purpose of repair, improvement, rehabilitation, or equipment of real estate. However, any such loans which are not secured, guaranteed, or insured, as provided in this section, (1) shall be limited to \$5,000 each, exclusive of legal and financing charges; (2) shall be repayable over a period of 8 years or less, in substantially equal installments not less frequent than semi-annual; and (3) shall not be made if the resulting aggregate unpaid balances of all of such loans would exceed 20% of the association's total assets;

(d) Through the purchase of loans which at the time of purchase the association could make in accordance with the provisions of this section and by-laws;

(e) Through the purchase of installment contracts for the sale of real estate, and title thereto which is subject to such contracts, but in each instance only if the association at the time of purchase could make a mortgage loan of the same amount and for the same length of time on the security of such real estate;

(f) Through loans guaranteed or insured, wholly or in part by the United States or any of its instrumentalities, and without regard to the limits in amount and terms otherwise imposed by this Article;

(g) On the security of any of the above authorized investments. (As amended by act approved July 23, 1965.)

Sec. 5-2. Other Investments.) If the board of directors determines at any time that funds are available in excess of the demands and needs of members for loans, maturities and withdrawals, an association may invest such funds as specified in Section 5-2.1 to 5-2.10, inclusive. (As amended by act approved August 14, 1961.)

Sec. 5-2.1. Subject to Section 5-2, an association may invest in withdrawable capital of any state or Federal Association which is a member of an insurance corporation as defined in this Act. (As amended by act approved August 14, 1961.)

Sec. 5-2.2. Subject to Section 5-2, an association may invest in participating interests in mortgage loans of a type which the association would be authorized to make, if the other participants are associations or corporations insured by an instrumentality of the United States, or are instrumentalities of or corporations owned wholly or in part by the United States or this State. (As amended by act approved August 14, 1961.)

Sec. 5-2.3. Subject to Section 5-2, an association may invest in obligations of or fully guaranteed by

the United States; in stocks or obligations of Federal Home Loan Banks; in stocks or obligations of the Federal National Mortgage Association. (As amended by act approved August 14, 1961.)

Sec. 5-2.4. Subject to Section 5-2, an association may invest in bonds or other direct obligations of or guaranteed as to principal and interest by this State. (As amended by act approved August 14, 1961.)

Sec. 5-2.5. Subject to Section 5-2, an association may invest in obligations which by the laws of this State are made legal investments for savings and loan associations. (As amended by act approved August 14, 1961.)

Sec. 5-2.6. Subject to Section 5-2, an association may invest in bonds or other evidences of indebtedness which are direct general obligations of any county, city, town, village, school district, sanitary district, park district, or other political subdivision or municipal corporation of this State, or in bonds or other evidences of indebtedness which are payable from revenues or earnings specifically pledged therefor of the county or an adjoining county or a political subdivision or municipal corporation of the county in which the business office of the association is located or an adjoining county, but in no event shall the total amount of such securities of any one maker or obligor exceed 2% of the association's total assets nor shall the aggregate amount of investments under this Section exceed 15% of such total assets. (As amended by act approved August 14, 1961.)

Sec. 5-2.7. With the approval of the Commissioner and subject to Section 5-2, an association may invest in the initial purchase and development, or the purchase or commitment to purchase after completion, of home sites and housing for sale or rental, including (without being limited to) projects for the reconstruction, rehabilitation, or rebuilding of residential properties to meet the minimum standards of health and occupancy prescribed by appropriate local authorities, and the provision of accommodations for retail stores, shops, and other community services which are reasonably incident to such housing projects; or in the shares of a corporation which owns one or more of such projects and which is wholly owned by one or more financial institutions whose investments are regulated by the laws of this State or of the United States. The association's aggregate investment under this Section shall not exceed 10% of its total assets, and no association shall make an investment of this type unless it has reserves and undivided profits, or permanent reserve capital, totaling at least 5% of the aggregate withdrawal value of the association's withdrawable capital. The Commissioner shall approve the investment only if the association shows:

(1) That the association has adequate assets available for such an investment; and

(2) That the proposed investment does not exceed the reasonable normal value of the property or interest therein; and

(3) That unless the proposed project meets the requirements of paragraph (4) of this Section, the proposed project does not include the construction of dwellings designed for occupancy by 4 families or less; except that in the event the home sites or any portion of a project are not sold within a reasonable time after same have been made available for sale (such period of time to be determined upon application to the Commissioner) such project or portion thereof may be further developed as hereinabove provided; and

(4) That the proposed project is to be located in an area, including any contiguous area acquired incidental thereto, determined by the Commissioner to be an urban renewal, redevelopment, blighted, conservation area, or any other similar area provided for by the laws of the United States, the State of Illinois or local ordinances for slum clearance, conservation, blighted area redevelopment, urban renewal, or of a similar nature or purpose and in the event of such determination by the Commissioner, the provisions of paragraph (3) of this Section shall not be applicable; and

(5) That all other requirements of this Section have been met.

Nothing herein contained shall prohibit an association from developing or building on land acquired by it under any other provision of this Act, nor shall an association be prohibited from completing the construction of buildings pursuant to any construction loan contract where the borrower has failed to comply with the terms of such contract; nor shall any amendment to this Section have a retroactive effect upon any project initiated prior to July 23, 1959, as evidenced by any contract, option, or application to the Commissioner in accordance with the terms of this Section prior to July 23, 1959, nor to any revision or change in the terms of such application requested by the Commissioner prior to his approval. (As amended by act approved July 23, 1965.)

Section 5-2.8. Subject to Section 5-2, an association may invest in marketable investment securities, but in no event shall the total amount of such securities of any one maker or obligor exceed 2% of the association's total assets, nor shall the aggregate amount of investments under this Section exceed 15% of such total assets. As used in this Section, the term "marketable investment securities" does not include stocks, but means marketable obligations evidencing indebtedness of any person in the form of bonds, notes, or debentures commonly known as investment securities, and of a type customarily sold on recognized exchanges or traded over the counter. (As amended by act approved August 14, 1961.)

Section 5-2.9. Subject to Section 5-2, an association may invest in stocks or obligations of business development corporations chartered by this state or by the United States or an agency thereof, but in no event shall the aggregate amount of stock exceed $\frac{1}{2}\%$ of the aggregate withdrawal value of the

association's withdrawable capital or \$250,000 whichever is less. (As amended by act approved August 14, 1961.)

Section 5-2.10. Subject to Section 5-2, an association may invest in obligations of urban renewal investment corporations chartered under the laws of this state, or the United States, or in certificates of beneficial interest of urban renewal investment trusts, but in no event shall the aggregate amount of such stock, obligations or beneficial interest certificates of any one maker exceed 2% of the association's total assets, nor shall the aggregate amount of investments under this section exceed 5% of such total assets. (As amended by act approved August 14, 1961.)

Section 5-3. Real Estate Encumbrances.)

(a) Real estate is encumbered within the meaning of this article unless the security instrument establishes a first lien upon such real estate.

(b) Real estate is not encumbered within such meaning merely by reason of the existence of (1) instruments reserving rights-of-way, sewer rights, or rights in wells; or (2) building restrictions or other restrictive covenants; or (3) a lease under which rents or profits are reserved by the owners; or (4) current taxes or assessments not yet payable; or (5) other encumbrances which, in accordance with sound lending practices in the locality, are not regarded as constituting defects in real estate titles.

(c) A loan may be made under this article on real estate which is subject to a prior lien or other encumbrance which is owned by or exists in favor of the association; or to a prior lien the full amount of which is deducted from the amount of the loan and retained by the association to pay such lien, or which is fully provided for in the closing of the loan transaction.

Section 5-4. Lending Plans.) The board of directors may specify the terms on which loans to members will be made, including (but not limited to) the following lending plans:

(a) **Direct Reduction of Principal:** Such plan shall provide for regular payments which will completely amortize the indebtedness, including principal, interest, or interest and premium, advances, and other charges authorized by this Act, with payments to be made in such amount or amounts and at such time or times as may be agreed upon. If the loan is to be repaid on the monthly direct reduction of principal plan, the balance shall be determined monthly, and interest or interest and premium may be charged on the preceding monthly balance at one-twelfth of the annual rate, and added to such balance, together with any advances made by the association; and from such total indebtedness, payments made by the borrower shall be deducted, and such payments shall be applied first to interest or interest and premium. If the loan is being repaid on a direct reduction plan with payments made less often than monthly, but at least semi-annually, interest or interest and premium shall be charged at one-twelfth of the annual rate multiplied by the number of the months elapsed

since the date of the last payment; and interest or interest and premium on an advance made may be charged from the first day of the month during which the advance was made; or if the advance was made after the fifteenth day of the month, interest or interest and premium may be charged as of the first day of the succeeding month; but such interest or interest and premium shall not be compounded.

(b) **Share Accumulation Plan:** Such plan shall provide for the subscription to shares the matured value of which in even shares shall be not less than the amount of the loan. Interest shall be charged on such loan until the accumulation on the shares, consisting of payments and dividends less charges, if any, authorized by this Act, shall equal the amount loaned, whereupon the shares shall be cancelled against the loan balance, and the loan shall be considered repaid. The plan may provide further for repayment through the application of shares, or cash and shares, as the board of directors may determine.

(c) **Gross Charge and Discount Plan:** Property improvement loans and loans the duration of which is 8 years or less, and the amount of each of which does not exceed \$5,000; exclusive of legal and financing charges, may be repaid under a gross charge or discount method, but in the event of repayment in full prior to maturity, the association shall make a rebate at a rate not less than 6% per annum of the amounts so paid in advance of their due dates if the financing charge applicable to the loan is in an amount equivalent to \$5.00 discount per \$100 original face amount of a one-year note, and if a greater or lesser charge has been taken, the rebate shall be at not less than a proportional rate.

(d) **Insured or Guaranteed Loans:** Loans insured or guaranteed wholly or in part by the United States or any instrumentality thereof may be made and repaid in accordance with the applicable Federal law and regulations.

(e) **Straight Mortgage Loans:** Loans of a type which may be made on an installment basis, also may be made and repaid without full amortization; but no such loan shall be made for a term exceeding 5 years, or in an amount exceeding 50% of the appraised value of the security, except that a loan may be made in an amount not exceeding 60% of such value if the term is not more than 3 years, or in an amount not exceeding 80% of such value if the term is not more than 18 months. Interest on such loans shall be payable not less often than semi-annually. No association shall make such straight mortgage loans if the resulting aggregate unpaid balances of all of such loans would exceed 15% of the association's total assets. (As amended by act approved July 23, 1965.)

Section 5-5. General Loan Contract Provisions.)

(a) Each loan, and any agreement for securing the same, shall be evidenced by one or more written instruments, consistent with sound lending practices in the locality; and whenever recording of such an agreement is necessary to establish priority over the claim of any third party, the agreement shall be recorded.

(b) The loan contract terms shall afford full protection to the association, and shall include, among other things, provision for:

(1) The payment of taxes, assessments, other governmental levies, maintenance and repairs, granting the association the right to make payments thereon or for any other item which, if unpaid, would create a lien prior to that of the loan contract;

(2) Adequate insurance to cover the usual risks on the property offered as security for the loan, and in such form, coverage, and amounts and in such company or companies as the board of directors may approve;

(3) The right to prepay the loan in whole or in part at any time, but the association may require payment of not more than 6 months' advance interest on that part of the aggregate amount of all prepayments on a loan in one year, which exceeds 20% of the original principal amount of the loan.

(c) The loan contract may provide for:

(1) An assignment of rents;

(2) Life insurance to be assigned as additional collateral, in which event the association shall obtain a first lien upon the policy;

(3) A single premium to be paid in advance or deducted from the loan balance, but if the loan is written on the direct reduction of principal plan to amortize the indebtedness in more than 4 years and the premium exceeds 4% and the loan is repaid prior to the expiration of 4 years from the date of its making, the association shall refund one-fourth of the premium in excess of said 4% for each year of the said 4 years then unexpired;

(4) Additional or future advances to be made at the option of the parties up to a total amount stated in the recorded security instrument;

(5) Regular periodical payments together with a lump sum payment required to create a fund in the association to pay when due all taxes as of January 1 of each year when such taxes become a lien against the real estate security, assessments, insurance premiums, ground rents, and other current charges against the real estate security, and the application or crediting of such payments;

(6) Any other covenant or agreement which the association may deem necessary or which is customary in the locality.

(d) If any payment required to be made by the borrower to discharge the performance of any obligation under the loan contract, is not made, or if any fund created for such payment is insufficient to discharge the obligation completely, the association may advance the same and add the required amount to the unpaid balance of the loan as of the first day of the month during which such advance was made and the advance and interest thereon shall be secured by the security instrument.

(e) The first payment on any regular installment loan other than a construction loan, insured loan, or guaranteed loan, shall begin not later than 60 days after the advance of the loan. The first pay-

ment on a loan insured or guaranteed shall be upon terms acceptable to the insuring or guaranteeing agency. The first payment on a construction loan shall be not later than 12 months after the date of the first disbursement. (As amended by act approved July 16, 1963.)

Section 5-6. Extension and Modification Agreements.)

(a) When the balance of a loan being repaid under the direct reduction of principal plan does not exceed forty per cent (40%) of the value of the security therefor, and the loan has been reduced by periodical payments over a period of not less than three (3) years to the extent that the unpaid balance does not exceed fifty per cent (50%) of the amount originally secured, the board of directors may agree in writing with the borrower that for a period not to exceed three (3) years, no payments need be made on the unpaid principal amount of the loan, and the loan contract and the security instrument shall not be prejudiced by the making of such extension agreement, even if such an extension was not provided for in the loan contract. However, interest or interest and premium, taxes, assessments, insurance premiums, and other charges which the borrowing member is obligated to pay, shall be paid when due either to or for the benefit of the association. No such extension shall be granted at a time when the association has insufficient funds to pay all withdrawable capital accounts which have matured or have been listed for voluntary withdrawal.

(b) The association at any time may enter into a written agreement with the borrower to modify, in any manner not inconsistent with the provisions of this Act, the terms of a loan as to the amount, time, or method, of the payments to be made, the interest rate, and any other provision of the loan contract; and the loan contract and the security instrument shall not be prejudiced by the making of any such modification, even if such a modification was not provided for in the loan contract.

Section 5-7. Sale, Assignment and Servicing of Loans and Contracts.)

(a) No association shall engage in the mortgage brokerage business; but any association may sell any loan or a participating interest in a loan at any time, in the usual and regular course of business, if the total amount of loans so sold by the association, including such sale, within the calendar year beginning January 1 immediately preceding the date of such sale, does not exceed 20% of the total amount of all loans held by the association at the beginning of such calendar year. All loans sold shall be sold without recourse. The Commissioner may adjust the foregoing limitations upon the sale of loans, upon application showing an emergency need to pay withdrawals, or an emergency need for loans in the community or area of operation in which the association is located, such loans being in greater demand than the association currently is able to meet.

(b) An association may contract to service a loan or a participating interest in a loan originally made by the association and later sold, but such a contract shall conform to the pertinent regulations prescribed by the Commissioner, and shall require sufficient compensation to reimburse the association for all expenses incurred under such contract.

(c) An association may sell and assign without recourse any master's certificate of sale, defaulted loan, or defaulted real estate contract, to any person eligible to purchase the same, for an amount not less than the fair cash market value thereof. (As amended by act approved July 23, 1965.)

Section 5-8. Purchase of Real Estate at Forced Sale.) An association may purchase, at any sheriff's or other judicial sale, either public or private, any real estate upon which the association has any mortgage, lien, or other encumbrance, or in which the association has any other interest. The association thereafter may repair, improve, sell, convey, lease, mortgage, exchange, or otherwise dispose of, real estate so acquired, in the best interests of the association, without limitation.

Section 5-9. Purchase of Real Estate for Office and Rental Purposes.) An association may acquire and hold real estate in fee simple, or lease-holds on which a building or buildings exist or are to be erected, suitable for the transaction of the association's business, and from portions of which, not required for the association's own use, revenue may be derived; or may own all or part of the capital stock, shares, or interest in any corporation, association, or trust, engaged solely in holding all or part of such real estate. However, the amount so invested shall not exceed five per cent (5%) of the association's total assets, unless the Commissioner, upon a proper showing shall approve a larger amount consistent with the needs of the association's business and its immediate future expansion. (As amended by act approved July 23, 1965.)

Section 5-10. Usury Laws Inapplicable.) By reason of the cooperative nature of associations operating under this Act, no interest, premium, or interest on such interest or premium, or charge, which may accrue to an association under the provisions of this Act, shall be deemed to be usurious; and the same may be collected in the same manner as other debts in accordance with the laws of this State.

Section 5-11. Prohibited Loans.) No loan shall be made to a majority permanent reserve shareholder, officer, or director of an association issuing permanent reserve shares, either for himself or as agent, or as partner of another, except upon real estate occupied by such shareholder, officer, or director as a homestead, or upon the security of withdrawable capital; nor shall any loan be made by an association to any corporation of which a majority of the stock is owned or controlled individually or collectively by any one or more of the directors, officers, or majority permanent reserve shareholders

of such association. (As amended by act approved July 11, 1957.)

Section 5-12. Effect of Unauthorized Investments; Liability of Officers.)

(a) Every loan or other investment made in violation of this Act shall be due and payable according to its terms, and the obligation thereof shall not be impaired.

(b) Every director or officer of an association who knowingly shall violate, participate in, or assent to, or who knowingly shall permit any of the officers or agents of the association to make, investments not authorized by this Act, shall be liable individually for all damage which the association or its members sustain in consequence of such violation.

(c) The Commissioner may require every director or officer of an association who knowingly shall violate, participate in, or assent to, or who knowingly shall permit any of the officers or agents of the association to make investments not authorized by this Act, to deposit with the association an indemnity bond, insurance, or collateral of a kind and amount sufficient to indemnify the association against damages which the association or its members may sustain in consequence of such violation. The amount considered sufficient to indemnify the association shall, in the case of an unauthorized investment, be the difference between the book value and the market value of the investment at the time the Commissioner makes his determination that such investment is unauthorized. The amount considered sufficient to indemnify the association, in the case of an unauthorized loan shall be the difference between the book value of the loan and the amount that could have been made under the provisions of this Act. Whenever an unauthorized investment has been sold or disposed of without recourse, the Commissioner shall release all or such part of the indemnity after deducting any loss. Whenever the balance of an unauthorized loan has been reduced to an amount which would permit such loan to be made under the provisions of this Act, the indemnity shall be released; provided that the Commissioner in making such determination may require an independent appraisal of the security. (As amended by act approved July 23, 1965.)

Section 5-13. Appraisals.)

(a) Every appraisal or reappraisal of property which an association is required to make shall be made as follows:

(1) By an independent qualified appraiser designated by the board of directors; or

(2) By the association's appraisal committee appointed by the board of directors; or

(3) In the case of an insured or guaranteed loan, by any appraiser appointed by any lending, insuring, or guaranteeing agency of the United States or the State of Illinois, which shall insure or guarantee such loan, wholly or in part.

(b) Each appraisal shall be in writing with a certificate signed by the appraiser or appraisers, stating that he or they have personally examined the described property, setting forth the value of the land, and the nature and value of the improvements, if any; which appraisal shall be filed and preserved by the association.

Section 5-14. Acknowledgments.) No acknowledgment of a deed, mortgage, or other instrument shall be invalid because such acknowledgment was taken before an officer authorized by the laws of this State to acknowledge conveyances, who is also a member, director, employee, or officer of an association which is a party to such deed, mortgage, or other instrument.

ARTICLE 6—Voluntary Corporate Changes.

Section 6-1. Amendment of Articles of Incorporation.) An association may amend its articles of incorporation from time to time, in accordance with the procedure prescribed in this article; but the articles, as amended, shall conform to all legal requirements which pertain to original articles adopted at the time of such amendment. Any number of amendments may be submitted to the members, and voted upon by them, at one meeting.

Section 6-2. Procedure to Amend Articles of Incorporation.) The procedure to effect an amendment of articles of incorporation shall be as follows:

(a) The board of directors shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of the members, which may be an annual or a special meeting.

(b) The proposed amendment, or a summary of the changes to be effective thereby, shall be set forth in the notice of meeting mailed as prescribed in the section of this Act concerning Members' Meetings.

(c) The proposed amendment will be adopted upon receiving, in the affirmative, two-thirds or more of the total number of votes which all members of the association are entitled to cast, except that an amendment effecting a retirement of all permanent reserve capital must receive the vote specified in the section of this Act concerning Retirement or Reduction of Permanent Reserve Capital. A report of proceedings, verified by the president or a vice-president and attested by the secretary and setting forth the notice given and time of mailing thereof, the amendment adopted, the vote thereon, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed promptly with the Commissioner.

(d) Each adopted amendment shall be subject to the same inquiry by the Commissioner as the corresponding provision in original articles of incorporation, including (but not limited to) the availability of a proposed new name of the association. If the Commissioner approves an amendment,

he shall issue to the association a certificate setting forth the amendment and his approval thereof. The amendment shall become effective when such certificate is recorded in the same manner as the association's articles of incorporation.

(e) No amendment of articles of incorporation shall affect any existing cause of action either in favor of or against the association, or any pending action in which the association shall be a party, or the existing rights of persons other than members of the association; and if the amendment has changed the name of the association, no action brought by or against the association under its former name shall be abated for that reason. (As amended by act approved July 23, 1965.)

Section 6-3. Existing Association — Adoption of Articles and By-laws.) Any existing association the by-laws of which contain provisions enumerated in the section of this Act concerning Contents of Articles of Incorporation, at an annual or special meeting may amend its present charter, articles of incorporation, certificate of complete organization, or other instruments concerning organization, by adopting articles of incorporation containing the provisions enumerated in said section. Such adoption shall repeal the existing by-laws of the association without further action, and the board of directors shall adopt new by-laws in accordance with the provisions of this Act. The procedure to be followed in adopting or amending articles of incorporation shall be that prescribed in the preceding section.

Section 6-4. Merger — Adoption of Plan.) Any two or more associations operating under this Act or under Federal charter and located in this State may merge into one association operating under this Act. The board of directors of each merging association, by resolution adopted by a majority vote of all members of such board, must approve the plan of merger, which shall set forth:

(a) The name of each of the merging associations, and the name of the continuing association and the location of its business office;

(b) The amount of capital, reserves, and undivided profits of the continuing association, and the kinds of shares and other types of capital to be issued thereby;

(c) The articles of incorporation of the continuing association;

(d) A detailed pro forma financial statement of the assets and liabilities of the continuing association;

(e) The manner and basis of converting the capital of each merging association into capital of the continuing association;

(f) The other terms and conditions of the merger and the method of effectuating the same;

(g) Such other provisions with respect to the merger as appear necessary or desirable, or as the Commissioner may reasonably require to enable

him to discharge his duties with respect to such merger. (As amended by act approved July 23, 1965.)

Section 6-5. Merger — Approval by Commissioner.)

(a) The plan of merger adopted as aforesaid shall be submitted to the Commissioner for approval, together with a certified copy of the authorizing resolution of each board of directors, showing approval by a majority of the entire board of each merging association operating under this Act and evidence of proper action by the board of any merging Federal association.

(b) The Commissioner may make or cause to be made an examination of the affairs of each of the merging associations.

(c) The Commissioner shall approve the plan of merger if, after appropriate inquiry into the affairs of each of the merging associations, he finds that:

(1) The continuing association meets the requirements of this Act as to the organization of a new association;

(2) The plan provides an adequate capital structure;

(3) The plan is fair to all persons affected; and

(4) The plan meets the approval of the insurance corporation, if such approval is required.

(d) If the Commissioner disapproves the plan of merger, he shall state his objections in writing and give the merging associations an opportunity to amend the plan of merger, to obviate such objections. (As amended by act approved July 23, 1965.)

Section 6-6. Merger—Approval by Members.) After approval by the Commissioner, the plan of merger shall be submitted to a vote of the members of each merging association. Each meeting of the members of an association operating under this Act shall be called and held in accordance with the section of this Act concerning Members' meetings. The plan will be approved by the members of an association if the plan receives, in the affirmative, $\frac{2}{3}$ or more of the total number of votes which all members of the association are entitled to cast. Each meeting of a Federal association shall be called and held, and the required majority must be obtained, in accordance with the applicable Federal law and regulations. (As amended by act approved July 23, 1965.)

Section 6-7. Merger—Commissioner's Certificate; Effective Date.)

(a) A report of proceedings at the meeting of the members of each association, certified by the president or a vice-president and attested by the secretary thereof, and setting forth the notice given and time of mailing thereof, the vote on the plan of merger, and the total number of votes which all members of the association were entitled to cast thereon,

shall be filed in duplicate with the Commissioner, together with the plan of merger, duly executed by each merging association. The Commissioner thereupon shall issue to the continuing association a certificate of merger, setting forth the name of each merging association and the name of the continuing association, and the articles of incorporation of the continuing association; and attaching thereto, as a part thereof, a copy of the report of proceedings filed as aforesaid by each merging association.

(b) The merger shall become effective upon the recording of the certificate of merger in the same manner as articles of incorporation, in each county in which the business office of any of the merging associations was located, and in the county in which the business office of the continuing association is located.

(c) When duly recorded as aforesaid, the certificate of merger shall be conclusive evidence, except against the State, of the merger and of the correctness and validity of all proceedings in connection with the merger. (As amended by act approved July 23, 1965.)

Section 6-8. Merger—Commissioner's Expenses.) The expenses of any examination made by or at the direction of the Commissioner in connection with a proposed merger shall be paid by the merging associations. (As amended by act approved July 23, 1965.)

Section 6-9. Effect of Merger.)

(a) The continuing association shall be considered the same business and corporate entity as each merging association, with all of the property, rights, powers, duties, and obligations of each merging association, except as otherwise provided by the articles of incorporation of the continuing association.

(b) All liabilities of each of the merging associations shall be liabilities of the continuing association; and all of the rights, franchises, and interests of each of the merging associations in and to every kind of property, real, personal or mixed, shall vest automatically in the continuing association, without any deed or other transfer.

(c) Any reference to a merging association in any writing, whether executed or effective before or after the merger, shall be deemed a reference to the continuing association, if not inconsistent with the other provisions of such writing.

(d) No pending action or other judicial proceeding to which any merging association is a party shall be abated or discontinued by reason of the merger, but may be prosecuted to final judgment, order or decree in the same manner as if the merger had not occurred.

Section 6-10. Sale of All Assets.) An association, in one transaction not in the usual and regular course of its business, may sell all or substantially all of its assets, with or without its name and good-

will, to another association or to a Federal association, in consideration of money, capital, or obligations of the purchasing association.

Section 6-11. Procedure to Effect Sale of All Assets.) The procedure to effect a sale authorized by the foregoing section shall be as follows:

(a) The board of directors shall adopt a resolution setting forth the terms of the proposed sale and directing the submission thereof to a vote at a meeting of the members, which may be an annual or special meeting

(b) The said terms shall be set forth in the notice of meeting mailed as prescribed in the section of this Act concerning Members' Meetings.

(c) The proposed sale will be approved by the members upon receiving in the affirmative, two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast. A proposal for the voluntary liquidation of the association shall be submitted to the members at the same meeting or at any adjournment thereof, or at any later meeting called for such purpose, in accordance with the article of this Act concerning Voluntary Liquidation. A report of proceedings, certified by the president or a vice-president and attested by the secretary, and setting forth the terms of the proposed sale, the notice given and time of mailing thereof, the vote on the proposal, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed with the Commissioner.

(d) If the Commissioner finds that the proposed sale is fair to all holders of capital, creditors and other persons concerned, and provision has been made for the disposition of the remaining assets, if any, of the association as provided in this Act for reorganization or voluntary liquidation, then he shall issue to the association a certificate of authorization for such sale, attaching thereto, as a part thereof, a copy of the report of proceedings filed as aforesaid.

(e) Upon recording said Commissioner's certificate in the same manner as the association's articles of incorporation, the association may complete the sale so authorized: except that an insured association first shall obtain the approval of the insurance corporation.

(f) If the sale includes the name of the association, the purchasing association shall have the exclusive right to such name for a period of five (5) years.

(g) If the association has failed to adopt a plan of voluntary liquidation, the Commissioner may proceed against such association as provided in the article of this Act concerning Involuntary Liquidation. (As amended by act approved July 23, 1965.)

Section 6-12. Conversion from State to Federal Association.) Any association operating under this Act may become a Federal association pursuant to the laws and regulations of the United States and in accordance with the following procedure:

(a) The board of directors shall approve a plan of conversion by resolution adopted by majority vote of all of the directors. The plan shall set forth, among other terms:

(1) A financial statement of the association as of the last business day of the month preceeding the adoption of the plan;

(2) The disposition of withdrawable capital and permanent reserve capital, if any;

(3) Adjustments, if any, in the value of the withdrawable accounts when exchanged for comparable accounts in the Federal association;

(4) The disposition of any segregated surplus established under the provisions of the section of this Act concerning Permanent Reserve Shares—Rights of Existing Shareholders;

(5) The disposition of any obligations, or liabilities.

Such plan and resolution shall be submitted to the Commissioner at least 15 days prior to the members' meeting at which action of members is to be taken.

(b) If the plan of conversion provides for (1) no adjustment in the withdrawable capital accounts of members; and (2) all obligations and liabilities to be assumed by the Federal association, then the Commissioner's approval of the plan of conversion shall not be required.

(c) If the plan of conversion adjusts values of any type of capital, or if the association has a segregated surplus, such plan of conversion shall be subject to the approval of the Commissioner. Approval shall be given in such case if the Commissioner finds that the plan is equitable and protects the rights of all persons affected, including such contingent interests as theretofore may have been created in the segregated surplus, if any.

(d) After receipt of such approval from the Commissioner, if required, the plan of conversion may be submitted at an annual or special meeting of the members. The plan will be adopted upon receiving, in the affirmative two-thirds or more of the total number of votes which all members of the association are entitled to cast. A report of proceedings at such meeting, certified by the president or a vice-president and attested by the secretary, shall be filed promptly with the Commissioner.

(e) Within 90 days after the date of such meeting, the association shall take the action prescribed and authorized by the laws and regulations of the United States to complete its conversion to a Federal association.

(f) Upon receipt of a Federal charter, the association shall file promptly with the Commissioner either a copy of said charter or a certificate of the appropriate Federal officers setting forth the facts concerning the issuance of such charter; and upon recording said charter in the same manner as the association's articles of incorporation, the association shall cease to be an association operating under this Act. (As amended by act approved July 23, 1965.)

Section 6-13. Conversion from Federal to State Association.) Any Federal association may become an association operating under this Act, pursuant to the laws and regulations of the United States and in accordance with the following procedure:

(a) The board of directors shall adopt a plan of conversion, which shall set forth, among other terms, the provisions required in Sub-section (a) of the preceeding section of this Act. Such plan and resolution shall be submitted to the Commissioner.

(b) If the Commissioner, after appropriate examination, shall find that the association complies sufficiently with the requirements of this Act to entitle it to become an association operating under this Act, he shall approve the plan of conversion. However, he may prescribe terms and conditions, to be fulfilled either prior to or after the conversion, to cause the association to conform with the requirements of this Act.

(c) After receipt of the Commissioner's approval, the plan of conversion may be submitted at an annual or special meeting of the members; and the plan will be adopted upon receiving, in the affirmative two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast. Thereupon, such action shall be taken to adopt articles of incorporation, to elect directors, to adopt by-laws, and to elect officers, as is prescribed for a new association in the article of this Act concerning Incorporation and Organization. A report of proceedings at such meeting, certified by the president or a vice-president and attested by the secretary, shall be filed promptly with the Commissioner.

(d) If the Commissioner finds that such proceedings have been in accordance with the provisions of this section, he shall issue a certificate of conversion, setting forth the articles of incorporation and attaching, as a part of the certificate, a copy of the report of proceedings filed as aforesaid.

(e) The conversion shall become effective upon the recording of the certificate of conversion in the manner required by this Act for the recording of articles of incorporation. (As amended by act approved July 23, 1965.)

Section 6-14. Effect of Conversion.) When an association effects a conversion in accordance with either of the two preceding sections, the corporate existence of such association shall not be interrupted; but the identity of the association shall continue, together with all of the obligations and liabilities of the association; and all of its rights, franchises, and interests in and to every kind of property, real, personal or mixed, shall continue without the necessity of a deed or other transfer. Any reference to the association before conversion, contained in any writing, whether executed or effective before or after the conversion, shall be deemed a reference also to the association after conversion, if not inconsistent with the other provisions of such writing. No pending action or other judicial pro-

ceeding to which the association is a party shall be abated or discontinued by reason of such conversion, but the same may be prosecuted to final judgment, order, or decree in the same manner as if such conversion had not occurred.

ARTICLE 7—Supervision.

Section 7-1. Office of the Savings and Loan Commissioner.) There is created an agency of the State which shall be known as the office of the Commissioner of Savings and Loan Associations and which shall have an officer of the State at its head who shall be known as the Commissioner of Savings and Loan Associations. The Commissioner shall maintain an office in Springfield, in rooms provided by the Secretary of State and may in his discretion and with the approval of the Governor, establish and maintain, at places other than the seat of government, additional offices for the conduct of any one or more of the functions of his office. (As amended by act approved July 23, 1965.)

Section 7-1.1. Appointment.) The Commissioner shall be a person with knowledge of savings and loan theory and practice. He shall be appointed by the Governor, by and with the advice and consent of the Senate. In case of vacancies in such office during the recess of the Senate, the Governor shall make a temporary appointment until the next meeting of the Senate, when he shall nominate some person to fill such office; and any person so nominated, who is confirmed by the Senate, shall hold his office during the remainder of the term and until his successor shall be appointed and qualified. If the Senate is not in session at the time of this Act, or any amendments thereto, take effect, the Governor shall make a temporary appointment as in the case of a vacancy. The term of office of the Commissioner shall begin on July 1, 1965, or the effective date of the amendment to this Act and shall expire on July 1, 1970. Each subsequent term of a Commissioner shall be for 5 years expiring in each case on July 1. The Commissioner shall receive an annual salary of \$22,200 payable monthly and shall be reimbursed for the actual and necessary expenses in carrying out the duties of his office. (As amended by act approved July 23, 1965.)

Section 7-1.2. Transfer of Personnel, Records, Files, Actions, and Duties, etc.)

(a) The employees for whom the Supervisor of Savings and Loan Associations is responsible in the Department of Financial Institutions on the effective date of the enactment of the amendments to this section shall be transferred to the Office of the Savings and Loan Commissioner in the same position, status, and pay grades including, without limitation, the continuance of any vacation pay, sick leave, pensions, or other benefits to which they would otherwise be entitled. Thereafter, the Commissioner shall appoint subject to applicable provisions of the Personnel Code a supervisor, such examiners, em-

ployees, experts and special assistants as may be necessary to carry out effectively the provisions of this Act.

(b) All books, records, files, equipment, correspondence, documents or other papers and pending business or matters in any way pertaining to the rights, powers and duties of the Director of Financial Institutions in the administration of the Savings and Loan Act presently assigned to the Savings and Loan Division, shall be delivered and transferred to the Office of the Savings and Loan Commissioner. Such transfer shall not affect any act done, ratified, or confirmed, or any right accrued or established, or affect or abate any action or proceeding had or commenced in a civil or criminal cause before this Act takes effect; but such actions or proceedings may be prosecuted and continued by the Commissioner or Board as the case may be.

(c) The Commissioner shall have the following duties and powers:

(1) To exercise the rights, powers and duties set forth in this Act or in any other related act.

(2) To establish such regulations as may be reasonable or necessary to accomplish the purposes and provisions of this Act.

(3) Direct and supervise all the administrative and technical activities of this office, and create an Advisory Committee which upon request will make recommendations to him.

(4) Make an annual report regarding the work of his office as he may consider desirable to the Governor, or as the Governor may request. (As amended by act approved July 23, 1965.)

Section 7-1.3. Prohibited Activity.) Neither the Commissioner, nor any supervisor, nor any examiner shall be an officer, director, owner, or permanent reserve shareholder in any savings and loan association incorporated under this Act, either directly or indirectly; however, ownership of withdrawable capital accounts or shares in savings and loan associations shall not be deemed to be prevented hereby. If the Commissioner or any supervisor, or examiner, shall be a permanent reserve shareholder in any savings and loan association incorporated under this Act, either directly or indirectly, at the time of his appointment, he shall dispose of his shares of stock or other evidences of ownership or property within one hundred twenty (120) days from the date of his appointment. It shall be unlawful for the Commissioner, any supervisor or examiner to obtain any loan other than a loan secured by withdrawable capital or shares, or accept any gratuity from any savings and loan association incorporated under this Act. If any other employee of the Commissioner borrows from or becomes indebted in an aggregate amount of \$2,500.00 or more to any savings and loan association incorporated under this Act, he shall make a written report to the Commissioner stating the date and amount of such loan or indebtedness, the security therefor, if any, and the purpose or purposes for which proceeds have been or are to be used. (As amended by act approved July 23, 1965.)

Section 7-2. Examination.)

(a) The Commissioner, at least once in each year, without previous notice, shall cause an examination to be made of the affairs of every association. Such examination shall be made by competent examiners appointed for that purpose, who are not officers or agents of, or in any manner interested in, any association which they examine, except that they may be holders of withdrawable capital.

(b) The officers, agents, or directors of any such association shall cause the books of the association to be opened for inspection by the Commissioner or his examiners and otherwise assist in such examination when requested; and for the purpose of examination, the examiner in charge thereof shall have power to administer oaths and to examine under oath any officers, employees, agents, or directors of such association and such other witnesses as he deems necessary relative to the business of the association.

(c) The Commissioner shall make a report of each examination to the board of directors of the association examined, and if the affairs of the association are not being conducted in accordance with this Act, he may require the directors, officers, or employees to take any necessary corrective action. If the necessary corrective action is not made the Commissioner may issue a formal order to the directors of the association delivered either personally or by registered or certified mail, specifying a date which may be immediate or may be at a later date for the performance by the association of the corrective action. Such order or any part thereof shall be subject to the provisions of the sections of this Act relating to hearings and appeals from decisions, orders, or actions of the Commissioner. If the formal order of the Commissioner in whole or in part contains a finding that the violation thereof or the continuance by the association of the practice to be corrected could cause insolvency or substantial dissipation of assets or earnings or the impairment of its capital, such order or part thereof shall be complied with promptly on and after the effective date thereof until modified or withdrawn by the Commissioner, the Board, or modified or terminated by a court of proper jurisdiction. The Commissioner may apply to the Circuit Court of the County in which the association is located for enforcement of any such order requiring prompt compliance. If no hearing has been requested within the time specified by this Act, the Commissioner may at any time within 90 days after the effective date of the order institute suit in the Circuit Court of Sangamon County or the circuit court of the county in which the association is located to compel the directors, officers or employees to make the required corrective action. Such court shall have power and shall, after due process of law, adjudicate the question and enter the proper order or orders and enforce the same. In the interests of the members of the association, the Commissioner may prepare a statement of the condition of the association, and may mail the same to the members or may require a single publication thereof. (As amended by act approved July 23, 1965.)

Section 7-3. Audit by Public Accountant.) The Commissioner may approve in writing the appointment by the board of directors of a licensed public accountant to audit the books of the association at least once in each year, without previous notice; and the Commissioner may prescribe the scope of such audit within generally accepted auditing principles, and may require the filing of a copy of such audit with the Commissioner. (As amended by act approved July 23, 1965.)

Section 7-4. Reports to Commissioner and Members—; Penalty.)

(a) Every association operating under this Act shall file with the Commissioner within sixty (60) days following the close of each fiscal year of such association, a statement showing its financial condition at the close of the fiscal year and its operations for the year then ended. Each such statement shall be on forms prescribed by the Commissioner and in conformity with generally accepted accounting principles, and shall be verified by the secretary and certified by (1) a committee of three or more members who are not officers of the association; or (2) a licensed public accountant appointed by the board of directors; or (3) two officers of the association, if a licensed public accountant has been appointed to audit the books and records of the association as provided in the preceding section of this Act.

(b) An association shall file with the Commissioner a report of change of ownership of permanent reserve shares when such change of ownership results in any person as defined by this Act holding 10% or more through any one transaction or related series of transactions, of the outstanding permanent reserves shares of the association. Such report shall include owners who hold as beneficiaries or through nominees as well as in their own names. The report shall be made within 5 business days after knowledge of such change has been obtained by the officer authorized or required to make reports to the Commissioner. The Commissioner also may require any such person owning 10% or more of permanent reserve shares to report the beneficiary or beneficiaries for whom he is holding title.

Whenever there is a change in the managing officer of an association or a change amounting to a majority of the directors of an association elected at a regular or special meeting of the members, such change shall likewise be reported within 5 business days to the Commissioner.

The willful failure by any person required to report or disclose change of ownership or control as defined in this subsection shall constitute a felony and, upon conviction, such person shall be imprisoned for a term of not less than one year nor more than 5 years.

Every association shall file also such other reports as the Commissioner may require from time to time.

(c) Within sixty (60) days after the date of such statement, the association either shall mail to each member the annual statement of condition, or a condensed form thereof approved by the Commissioner, or shall publish the same at least once. (As amended by act approved July 23, 1965.)

Section 7-5. Commissioner's Report to the Governor.) The Commissioner shall prepare and transmit to the Governor of this State a condensed annual report of the financial condition of all associations operating under this Act, and may cause a copy of such report to be printed and circulated. (As amended by act approved July 23, 1965.)

Section 7-6. Information to Federal Authorities.) The Commissioner may give copies of reports of his examinations of an association, and copies of the association's reports to him, and any other information which he has concerning the association, to the Federal Home Loan Bank (or its successor instrumentality) of which the association is a member, or to the insurance corporation which has insured the association's capital; but no such action by the Commissioner shall relieve the association from compliance with any requirements of such Federal institution concerning examinations or reports, or limit the Commissioner's powers to examine or to require reports from the association. (As amended by act approved July 23, 1965.)

Section 7-7. Procedure Upon the Impairment of Permanent Reserve Capital.) If the Commissioner finds, from a report or examination of an association, that the permanent reserve capital is impaired, he shall direct whichever of the following procedures is appropriate:

(a) The board of directors either (1) shall require the permanent reserve shareholders to contribute an amount at least sufficient to eliminate the impairment; or (2) shall reduce the par value of the permanent reserve capital in at least the amount of the impairment and allocate such reduction to undivided profits or reserves to absorb the loss which created the impairment.

(b) If such impairment causes the book value of the permanent reserve capital to be less than the amount of minimum initial permanent reserve capital which the association, if it were being newly authorized to issue such capital, would be required to issue under the provisions of the section of this Act concerning Permanent Reserve Shares—Authorization of Issuance; Minimum Amount, then the board of directors shall require the permanent reserve shareholders to contribute the amount necessary to make up the difference. If any permanent reserve shareholder, within 30 days after notice to contribute has been mailed to him, shall neglect or refuse to pay his proportionate contribution, the board of directors shall cause a sufficient amount of such holder's permanent reserve shares to be sold at public auction. Not less than 20 days before the date of such sale, notice thereof shall be posted in

the business office of the association, and shall be published. Any proceeds of such sale in excess of such proportionate contribution shall be returned to the shareholder. (As amended by act approved July 23, 1965.)

Section 7-8. Commissioner's Authority to take Custody.) The Commissioner in his discretion may take custody of the books, records and assets of every kind and character of any association, trust, or association in liquidation, for any of the purposes hereinafter enumerated, if it appears from reports made to the Commissioner, or from examination made by or on behalf of the Commissioner:

(a) That the directors, officers, trustees, or liquidators have neglected, failed or refused to take any action which the Commissioner may deem necessary for the protection of the association or trust, or have impeded or obstructed an examination; or

(b) That the withdrawable capital of the association is impaired to the extent that the realizable value of its assets is insufficient to pay in full its creditors and holders of its withdrawable capital; or that its permanent reserve capital is impaired; or

(c) That the association is unable to continue operation; or

(d) That the business of the association, trust, or association in liquidation is being conducted in a fraudulent, illegal, or unsafe manner; or

(e) That the officers, employees, trustees, or liquidators have continued to assume duties or perform acts without giving bond as required by the provisions of this Act.

Unless the Commissioner finds that an emergency exists which may result in loss to members or creditors and requires that he take custody immediately, he first shall give written notice to the directors, trustees, or liquidators specifying the conditions criticized and state a reasonable time within which correction may be made. (As amended by act approved July 23, 1965.)

Section 7-9. Purposes of Taking Custody.) The purposes of taking such custody of an association or trust may be examination; further examination; conserving of its assets; restoration of impaired capital; the making of any necessary or equitable adjustment deemed necessary by the Commissioner under any plan of reorganization; or liquidation; or the maturing of the obligation of the insurance corporation. (As amended by act approved July 23, 1965.)

Section 7-10. Commissioner's Powers During Custody.) During the period in which the Commissioner has such custody, the Commissioner has all powers which are necessary or appropriate to accomplish the purposes of taking custody, including (but not limited to) the authority:

(a) To operate the business of the association, except as limited by the other subsections of this

section; exercising for that purpose all of the rights, powers, and privileges possessed by the officers and directors, liquidators, or trustees;

(b) To permit withdrawals to be made in accordance with the provisions of this Act in such proportionate amounts among holders of withdrawable capital as the Commissioner considers advisable to safeguard the interests of all of the holders of withdrawable capital;

(c) To accept payments on withdrawable capital as provided in the section of this Act concerning Segregation of Collections During Custody;

(d) Without appointment of a receiver but upon order of a court of competent jurisdiction, or with the concurrence of at least two-thirds of the directors, to:

(1) Make investments, as provided in Article 5 of this Act;

(2) Make and execute agreements with the insurance corporation or with any other financial institution for the payment or assumption of the association's liabilities in whole or in part;

(3) Borrow money, as provided in the section of this Act concerning Power to Borrow;

(4) Sell, convey, transfer, pledge, or assign assets as security or otherwise;

(5) Sell or compromise bad or doubtful debts of the association;

(6) Make or give guaranties appropriate to any of the transactions specified in this subsection (d);

(e) To call meetings of the members, directors, liquidators, or trustees to consider and act upon matters within their respective authority as provided in this Act; but without prejudice to the Commissioner's powers conferred by this section. (As amended by act approved July 23, 1965.)

Section 7-11. Custody of Insured Associations.) If an association of which the Commissioner takes custody under authority of this article is an insured association, the Commissioner, in addition to powers conferred above, is authorized to:

(a) Forthwith notify the insurance corporation of such custody, his reasons therefor, and as soon as practicable, furnish the insurance corporation with a copy of the Commissioner's report of examination and condition of the association.

(b) Permit the insurance corporation to submit any plan or proposal for the reorganization, merger, or liquidation of the association which it may deem feasible.

(c) Determine and declare the association to be in default, and to find from his examination and report the amount of the members' insured withdrawable capital, and to make any necessary orders, finding and determinations which may be required for the purpose of making the insurance available to the members. (As amended by act approved July 23, 1965.)

Section 7-12. Notice of Custody; Action to Enjoin.) Immediately upon taking custody of an association or trust, the Commissioner shall mail a written notice thereof to the president or secretary and not less than 2 directors of such association, or to 2 or more of the trustees of any trust, or 2 or more of the liquidators of an association in liquidation. If the contention is made that the Commissioner has no legal grounds for taking custody of the association or trust, the directors or officers of the association or the trustees or liquidators thereof, as the case may be, at any time within 10 days after the mailing of such notice, or within such further periods of time as the Commissioner may extend, but not to exceed an additional 60 days, may file a complaint in the Circuit Court of Sangamon County, Illinois or in the circuit or superior court of the county in which the association is located, to enjoin further custody. The court thereupon shall cite the Commissioner to show cause why further custody should not be enjoined. If upon a hearing thereon, the court finds that such grounds did not or do not then exist, it may enter an appropriate order in accordance with the findings of fact, or an order enjoining the Commissioner or any appointees acting under his direction from further custody. (As amended by act approved July 23, 1965.)

Section 7-13. Segregation of Collections During Custody.) All payments received on withdrawable capital on members' unpledged shares or accounts during custody of the association by the Commissioner shall be segregated in a separate account until the association shall be redelivered to the directors or to trustees or liquidators or delivered to a receiver. Any member whose payments have been so segregated may request the return of such payments, and the Commissioner shall repay the same without interest or dividends. Before delivery of the association or its assets to any liquidators or to a receiver, the Commissioner shall return the money so collected from members and so segregated. (As amended by act approved July 23, 1965.)

Section 7-14. Redelivery of Possession.) If after examination of the association and consideration of all conditions affecting its affairs, the Commissioner finds that the cause or causes for taking custody have been removed, he shall relinquish custody of the association and redeliver the same and all assets, books and records thereof to the directors of the association or to the trustees or liquidators qualified to accept the same. (As amended by act approved July 23, 1965.)

Section 7-15. Limitations Upon Custody.) The custody of an association by the Commissioner may be continued for a reasonable period not to exceed six (6) months, unless further extension shall be agreed upon by a vote of two-third ($\frac{2}{3}$) of the directors of the association or upon application for such extension and by order entered in a court of competent jurisdiction. (As amended by act approved July 23, 1965.)

Section 7-16. Expenses and Fees.)

(a) The reasonable expense of any examina-

tion or investigation or custody by the Commissioner under any provision of this Act, shall be borne by the association or trust.

(b) Except as to fees which are fixed by this Act, the Commissioner by regulation may prescribe reasonable fees for filing reports and other documents, furnishing transcripts, holding hearings, applications for permits to organize and investigations thereof, and for the taking of any other action for which he incurs expense. (As amended by act approved July 23, 1965.)

Section 7-17. Savings and Loan Board—Appointment.) The Savings and Loan Board shall be composed of seven (7) persons who shall be appointed by the Governor. Four of such persons shall be actively engaged in commerce, agriculture or some industrial pursuit in this State other than banking or financing. Three of such persons shall have been engaged actively in savings and loan management in this State for at least five (5) years immediately prior to appointment. Each member of the Board shall receive a compensation of \$50 per day for each day actually and necessarily consumed in the performance of the duties of his office and in addition thereto shall be paid the necessary expenses in the performance thereof. Initially four of such persons shall be appointed to serve until the third Monday in January 1967 and three of such persons shall be appointed to serve until the third Monday in January 1969. As terms of appointment expire, successors shall be appointed for terms to expire the third Monday in January four years thereafter. All members of the Board shall serve until their respective successors are appointed and qualified. The Governor shall fill any vacancy by the appointment of a member for the unexpired term of such member in the same manner as in the making of original appointments. (As amended by act approved July 23, 1965.)

Section 7-18. Savings and Loan Board—Organization and Meetings.) The Board shall elect a chairman, vice-chairman, and secretary; shall adopt regulations for the holding and conducting of meetings and for holding hearings concerning all matters within its powers; and shall keep a record of all meetings and transactions, and make such other provisions for the daily conduct of its business as it deems necessary. A majority of the members of the Board shall constitute a quorum. The act of the majority of the members of the Board present at a meeting at which a quorum is present shall be the act of the Board. Regular meetings shall be held as provided in the regulations, and special meetings may be called by the Chairman or upon the request of any three (3) members of the Board or the Commissioner. The Board shall maintain at the office of the Commissioner permanent records of its meetings, hearing, and decisions. The Commissioner shall provide adequate quarters and personnel for use by the Board. (As amended by act approved July 23, 1965.)

Section 7-19. Savings and Loan Board—Powers.) The Board shall have the following powers:

(a) To consider, hold public or private hearings, and act upon appeals from any order, decision, or action of the Commissioner by any aggrieved person except as otherwise specifically provided in this Act.

(b) To advise the Governor and the Commissioner upon appointments and employment of personnel in connection with the supervision of savings and loan associations.

(c) To advise the Governor on legislation proposed to amend the Savings and Loan Act or any related Act. (As amended by act approved July 23, 1965.)

Section 7-20. Proceedings on Objections to Commissioner's Action.) Except as otherwise specifically provided by this Act, any person who deems himself aggrieved by any decision, order, or action of the Commissioner may receive a hearing as provided in Sections 7-21 through 7-24 of this Act. (As amended by act approved July 23, 1965.)

Section 7-21. The Board shall upon the verified complaint in writing of any person setting forth facts which if proved would constitute grounds for reversal or change of any decision, order or action of the Commissioner grant a hearing thereon. If the aggrieved party desires such a hearing, he shall, within 10 days of receipt of notice of such decision, order or action, file written notice with the Board of intent to demand a hearing and shall, within 30 days of receipt of notice of such decision, order or action, file his verified complaint in writing. The date of such hearing shall not be earlier than 15 days nor later than 30 days after the date of receipt of verified complaint in writing. The Board shall, at least 10 days prior to the date set for the hearing, notify in writing the person adversely affected by such decision, order or action, hereinafter called the respondent and all other parties to the action, that a hearing will be held on the date designated and shall afford the respondent and all other parties to the action an opportunity to be heard in person or by counsel in reference thereto. Such written notice may be served by delivery of the same personally to the respondent and all other parties to the action, or by mailing the same by registered or certified mail to the place of business last theretofore specified by the respondent and all other parties to the action in the last notification to the Board. At the time and place fixed in the notice, the Board or its authorized agent, hereafter referred to as the hearing officer, shall proceed to hear the charges and both the respondent and all other parties to the action and the complainant shall be accorded ample opportunity to present in person or by counsel such statements, testimony, evidence and argument as may be pertinent to the issues. The hearing officer may continue such hearing from time to time.

The hearing officer is authorized to subpoena any person in this State and to take testimony either orally or by deposition or by exhibit, with the same fees and mileage and in the same manner as pre-

scribed by law in judicial procedure in civil cases in circuit courts of this State.

The hearing officer may administer oaths to witnesses at any hearing which the hearing officer is authorized by law to conduct.

After the hearing, the Board shall make a determination approving, modifying, or disapproving the decision, order, or action of the Commissioner as its final administrative decision. (As amended by act approved July 23, 1965.)

Section 7-22. The Board, at its expense, unless otherwise provided in this Act, shall provide a stenographer to take down the testimony and preserve a record of all proceedings at the hearing. The notice of hearing, complaint and all other documents in the nature of pleadings and written motions filed in the proceedings, the transcript of testimony, the report of the hearing officer and orders of the Board shall be the record of such proceedings. The Board shall furnish a transcript of such record to any person interested in such hearing upon payment of the actual cost thereof.

A copy of the hearing officer's report and the Board's orders shall be served upon the respondent and all other parties to the action by the Board, either personally or by registered or certified mail as provided in this Act for the service of the notice of hearing. (As amended by act approved July 23, 1965.)

Section 7-23. All subpoenas issued under the laws of this State pertaining to Savings and Loan Associations may be served by any person who is not a minor. The fees of witnesses for attendance and travel shall be the same as fees of witnesses before the Circuit Courts of this State, such fees to be paid at the time the witness is excused from further attendance, when the witness is subpoenaed at the instance of the Board or the Commissioner or any officer or any employee designated by him or it for the purpose of conducting any such investigation, inquiry or hearing; and the disbursements made in the payment of such fees shall be audited and paid in the same manner as are other expenses of the Savings and Loan Board or Commissioner. Whenever a subpoena is issued at the instance of a Complainant, respondent or other party to any proceeding the Board may require that the cost of service thereof and the fee of the same shall be borne by the party at whose instance the witness is summoned, and the Board or Commissioner shall have power, in his or its discretion, to require a deposit to cover the cost of such service and witness fees and the payment of legal witness fees and mileage to the witness when served with subpoena. A subpoena issued as aforesaid shall be served in the same manner as a subpoena issued out of a court of record.

Any person who shall be served with a subpoena to appear and testify, or to produce books, papers, accounts or documents, either in person or by deposition, in the manner provided in this section, issued by the Board or Commissioner or by any officer, or any employee designated by him or it to conduct any such investigation, inquiry, or hearing,

in the course of an investigation, inquiry or hearing conducted under any of the provisions of the laws of this State pertaining to Saving and Loan Associations, and who shall refuse or neglect to appear, or to testify, or to produce books, papers, accounts and documents relative to said investigation, inquiry or hearing as commanded in such subpoena, shall be guilty of a misdemeanor, and upon conviction thereof, shall be punishable by a fine of not more than \$200.00.

Any Circuit Court of this State, or any judge thereof, either in term time or in vacation, upon application of the Board or Commissioner, or an officer, or an employee designated by him or it for the purpose of conducting any such investigation, inquiry or hearing, may, in his discretion, compel the attendance of witnesses, the production of books, papers, accounts and documents, and the giving of testimony before the Savings and Loan Board or Commissioner, or before any officer thereof, or any employee designated by him or it for the purpose of conducting any such investigation, inquiry or hearing, in person or by deposition, in the manner provided in this section, by an attachment for contempt or otherwise, in the same manner as production of evidence may be compelled before said court.

The Board or Commissioner or any officer, or any employee designated by him or it for the purpose of conducting any investigation, inquiry or hearing, or any party may, in any investigation, inquiry or hearing, cause the deposition of witnesses residing within or without the State to be taken in the manner prescribed by law for taking like depositions in chancery cases in courts of this State, and to that end may compel the attendance of witnesses and the production of papers, books, accounts and documents. (As amended by act approved July 23, 1965.)

Section 7-24. The Commissioner or any person affected by a final administrative decision of the Board pursuant to the provisions of this Act may have such decisions reviewed only under and in accordance with the "Administrative Review Act," approved May 8, 1945 if such person files within 10 days of receipt of service of a copy of the final decision sought to be reviewed a written notice with the Board of intent to seek review under said Administrative Review Act. The provisions of the "Administrative Review Act," and all amendments and modifications thereof, and the rules adopted pursuant thereto, shall apply to and govern all proceedings for the judicial review of final administrative decisions of the Board hereunder. The term "administrative decision" is defined as in Section 1 of said "Administrative Review Act".

Appeals from all final orders and judgments entered by court in review of any final administrative decision of the Board hereunder may be taken directly to the Supreme Court in accordance with the provisions of the "Civil Practice Act" relating to appeals, and all existing and future amendments and modifications thereof and the rules adopted thereto. (As amended by act approved July 23, 1965.)

ARTICLE 8—Reorganization.

Section 8-1. Authority to Reorganize.) An association may reorganize under the provisions of this article, by adjusting its capital without prejudicing or impairing the rights of any of its creditors; but an adjustment of capital which involves or is part of a proceeding to effect a merger, conversion, sale of all assets, or retirement or reduction of permanent reserve capital, shall be accomplished under the provisions of this Act relating to such other proceedings. (As amended by act approved July 11, 1957.)

Section 8-2. Decision as to Reorganization; Adoption of Plan.)

(a) At any annual or special meeting of the members, the members may vote to reorganize the association, and may adopt a plan of reorganization which has been approved by the board of directors, or proposed by one or more shareholders, or submitted by the Commissioner; or may elect a committee of three (3) persons to prepare and submit a plan, and thereafter may adopt such plan. However, no plan except one submitted by the Commissioner shall be adopted unless it has been filed with the Commissioner at least five (5) days before the vote of the members is taken thereon.

(b) A plan will be adopted upon receiving in the affirmative two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast. (As amended by act approved July 23, 1965.)

Section 8-3. Plan of Reorganization.) The plan of reorganization shall set forth:

(a) A statement of the financial condition of the association duly certified by a licensed public accountant, or verified in such manner as may be required by the Commissioner.

(b) The proposed adjustment of capital.

(c) Any proposed segregation of assets into a segregated trust, and provision for disposition of such trust.

(d) Any amendment to the articles of incorporation which shall be submitted to the Commissioner for approval and shall be effective as provided in the article of this Act concerning Corporate Changes.

(e) Provision for safeguarding the rights of creditors. (As amended by act approved July 23, 1965)

Section 8-4. Election of New Directors; Report and Supervision.)

(a) Upon the adoption of the plan of reorganization, the offices of all directors and officers of the association shall be vacant, and the members shall proceed to elect directors to fill the vacancies. If the plan provides for the segregation of assets under a trust agreement, the members also shall elect

(with cumulative voting permitted as in elections of directors) three or more trustees to manage such assets.

(b) A report of proceedings at the meetings of the members, certified by the president or a vice president and attested by the secretary, setting forth the notice given and time of mailing thereof, the vote on the plan of reorganization, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed in duplicate with the Commissioner, together with the plan of reorganization. The Commissioner thereupon shall issue to the association, and to the trustees if assets have been segregated as a part of the plan, a certificate of reorganization, and a certificate of amendment of the articles of incorporation if appropriate.

(c) The reorganization shall become effective upon the recording of the certificate of reorganization and the certificate of amendment of articles of incorporation, if any, in the manner required by this Act for the recording of articles of incorporation. (As amended by act approved July 23, 1965.)

Section 8-5. Trust Agreement and Procedure.)

(a) The segregated assets shall be disposed of in accordance with the terms of a trust agreement adopted by the board of directors and executed in triplicate by the appropriate officers of the association and the trustees.

(b) The trust agreement shall contain provisions for the full liquidation of the trust, (including but not limited to) powers, duties, and manner of succession of trustees, and other provisions similar to those set forth with respect to liquidators in the section of this Act concerning Plan of Voluntary Liquidation. In addition thereto, the reorganized association shall furnish to the trustees a list of all shareholders whose shares are affected by such segregation of assets, giving their last known addresses and the book value of shares held and the reduction of such values upon reorganization and segregation of assets, so that the trustees may ascertain the relative interest of each shareholder in the trust so created. Such list shall be prima facie evidence of the share interests of all shareholders and no shareholder shall be entitled to a greater proportionate interest in the trust unless and until the trustees shall have agreed to a correction of the list or shall be ordered to do so by a court of competent jurisdiction.

(c) Three copies of the trust agreement shall be submitted to the Commissioner together with a certified copy of the resolution of the board of directors adopting the agreement, and the bonds of the trustees in such amounts as shall be fixed by the board of directors and as provided by the section of this Act concerning Bonds of Officers and Employees.

(d) If the Commissioner finds that the bonds are sufficient and the trust agreement will protect the beneficiaries of the trust, he shall attach his

certificate of approval and forward one approved copy of the trust agreement to the trustees and another to the reorganized association.

(e) The trust shall become effective upon recording of the Commissioner's certificate of approval and the trust agreement in the manner required by this Act for the recording of articles of incorporation; and the association thereupon shall be authorized to transfer the segregated assets to the trustees. (As amended by act approved July 23, 1965.)

Section 8-6. Disposition of Assets by Trustees; Liquidation.) The trust shall be subject at all times to the applicable provisions of the article pertaining to Voluntary Liquidation, and also shall be subject to supervision and examination by the Commissioner. (As amended by act approved July 23, 1965.)

Section 8-7. Acceptance of Certificates of Beneficial Interest and Withdrawable Capital for Part Purchase Price of Assets.)

(a) The trustees may offer to accept the certificates of beneficial interest issued by them, or withdrawable capital of the association, to apply upon the purchase price of any assets, but only for such relative values as may be approved by the Commissioner from time to time. If such offer is made, notice thereof by single publication or by mailing, stating the offer and the time, place, and terms of the sale, shall be given to all owners of such certificates prior to the sale.

(b) If a purchaser of segregated assets applies to the reorganized association for a loan on such assets, the association, in lieu of cash advancement on such loan, may issue and the trustees may accept at full value withdrawable capital of the reorganized association up to but not exceeding seventy-five per cent (75%) of the purchase price of such assets. Such sale shall not be consummated until the balance of the purchase price shall have been paid in cash to the trustee. (As amended by act approved July 23, 1965.)

ARTICLE 9—Voluntary Liquidation.

Section 9-1. Authority to Liquidate.) An association may liquidate voluntarily in accordance with a plan of voluntary liquidation which has been adopted in the manner provided in this article.

Section 9-2. Decision as to Liquidation; Adoption of Plan.)

(a) At any annual or special meeting of the members, the members may vote to liquidate the association, and may adopt a plan of liquidation which has been approved by the board of directors, or proposed by one or more shareholders, or submitted by the Commissioner; or may elect a committee of three (3) persons to prepare and submit a plan, and thereafter may adopt such plan. However, no plan except one submitted by the Commis-

sioner shall be adopted unless it has been filed with the Commissioner at least five (5) days before the vote of the members is taken thereon.

(b) A plan will be adopted upon receiving in the affirmative two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast. (As amended by act approved July 23, 1965.)

Section 9-3. Plan of Voluntary Liquidation.) The plan of voluntary liquidation shall provide for the full liquidation of the association, setting forth the powers, duties, manner of filling vacancies, and succession of the liquidators and authorizing them to:

(a) Advance funds of the association to preserve, protect, or purchase at any sale any asset in which the association has an interest.

(b) Sell, convey, lease, mortgage, or exchange any assets for other assets.

(c) Sell and dispose of any assets at public sale to the highest and best bidder or at private sale for the highest price obtainable.

(d) Accept withdrawable capital of the association to apply upon the purchase price of any assets, but only for such relative values as may be approved by the Commissioner from time to time. Notice by single publication or by mailing, stating the time, place, and terms of the sale, shall be given to all holders of withdrawable capital prior to the sale.

(e) Pay out of the proceeds of liquidation all expenses and services necessary to the liquidation, and also compensation of the liquidators; but such compensation of the liquidators, exclusive of compensation for legal services and other specialized employment, shall not exceed in the aggregate three (3) per cent of the proceeds of liquidation. (As amended by act approved July 23, 1965.)

Section 9-4. Election of Liquidators, Report, and Supervision.) Upon adoption of a plan of voluntary liquidation, the members shall proceed to elect (with cumulative voting permitted as in elections of directors) not more than three (3) liquidators, who shall have full power to execute the plan; and the procedure thereafter shall be as follows:

(a) A report of proceedings at the meeting of members, certified by the presiding officer of the meeting and attested by the secretary of the meeting, and setting forth the notice given and time of mailing thereof, the vote on the plan of voluntary liquidation, the total number of votes which all members of the association were entitled to cast thereon, and the names of the liquidators elected, shall be filed in triplicate with the Commissioner, together with the plan.

(b) If the Commissioner finds that the plan and proceedings are in accordance with this Act, that the bonds of the liquidators are sufficient, and

that the plan is not unfair to any person affected, he shall attach his certificate of approval to the plan and shall forward one copy to the liquidators, and in the case of an insured association, one copy to the insurance corporation.

(c) The plan shall become effective upon the recording of the Commissioner's certificate of approval in the manner required by this Act for the recording of articles of incorporation.

(d) The liquidation of the association shall be subject to the supervision and examination of the Commissioner. (As amended by act approved July 23, 1965.)

Section 9-5. Protection and Liquidation of Assets.) The liquidators are authorized to advance funds of the association and to take such other action as is advisable to preserve, protect, or purchase at any sale any real estate or other asset upon which the association may hold any lien or incumbrance or in which it may have an interest. The liquidators may sell, convey, lease, mortgage or exchange any assets so purchased or other assets; and in furtherance of the liquidation of the association, may sell and dispose of any of its assets at public sale to the highest and best bidder; or may sell any such assets at private sale for the highest price obtainable. No purchaser shall be required to ascertain the application of the purchase price.

Section 9-6. Notice to File Claims.) The liquidators shall fix a time for all persons having claims against the association, other than as members thereof, to present such claims, and shall cause notice to be published, requiring all persons to present the claims on or before such date, and within five (5) days after the first publication shall mail a copy of such notice to each person whose name appears on the association's records as having a claim. Each claim shall be in writing and verified by the claimant or a duly authorized agent. A claim may be presented at any time on or before the date fixed in the published notice, but any claim not so presented shall be barred. Upon the disallowance of any claim, the liquidators immediately shall notify the claimant of such fact, and the claimant may institute suit to establish such claim at any time before the final distribution.

Section 9-7. Claims of Members.) Whether a member files or does not file a claim with respect to an interest which he has as such member, the liquidators shall determine from the records of the association the amount of such member's claim. Any such member may examine the association's records pertaining to his own claim. The records of the association shall be prima facie evidence of each such claim or interest, and no member shall be entitled to a greater claim or proportionate interest in the association unless and until the liquidators shall have agreed to a correction of the records pertaining to such claim or interest, or shall be ordered to correct such records by a court of competent jurisdiction. The liquidators shall require all members to present

their certificates or account books, if any, for verification and endorsement upon payment of any liquidating dividend or distribution; and upon final distribution, such certificates or account books, if any, shall be surrendered to the liquidators.

Section 9-8. Payments and Distribution.) Claims having a preference in law shall be given preference in payment; except that no payment of less than ten dollars (\$10.00) need be made until final distribution. No distribution shall be made on claims for withdrawable capital until such preferred claims have been paid or provided for in full, or during the pendency of any suit unless sufficient funds are segregated to pay any judgement which may be rendered in such suit. Ratable payments and distributions on withdrawable capital may be made at any time after the time fixed for the presentment and allowance of claims has elapsed. Holders of permanent reserve capital, if any, shall participate in the liquidation of the remaining assets after payment or provision for payment has been made in full to all creditors, holders of withdrawable capital, and any claims which the holders may have in the balance of any segregated reserves. Final distribution shall be made in accordance with the next succeeding section of this article. (As amended by act approved July 11, 1957.)

Section 9-9. Final Distribution and Dissolution by Commissioner.) When all assets have been liquidated and all claims and expenses have been paid, dissolution of the association shall be accomplished in the following manner:

(a) The liquidators shall file with the Commissioner the duly verified final report of their acts and proposed final distribution.

(b) Upon the Commissioner's approval of the final report, the liquidators shall publish notice of the proposed distribution, and shall allow any shareholder to examine the records of the association to ascertain his proper share of such distribution. Any shareholder who fails to commence, before the date fixed for final distribution, appropriate judicial proceedings to contest such distribution, shall be barred from contesting the same thereafter. The liquidators shall proceed to make final distribution on the date fixed therefor, except that such distribution shall be deferred until final disposition of any pending judicial action affecting the distribution, and payment of any judgement entered therein.

(c) When final distribution has been made, except as to any money due to but unclaimed by any creditor, shareholder, or other person, the liquidators shall deposit such unclaimed money with the Commissioner, for payment to the person or persons entitled thereto upon application and proof of right as provided by law.

(d) The liquidators also shall deliver to the Commissioner all books of account and other records of the association, for preservation for at least two (2) years and destruction thereafter as provided by law.

(e) Upon completion of the foregoing procedure, the liquidators shall be discharged; the Commissioner shall issue a certificate of dissolution of the association and shall record same in the manner required by this Act for the recording of articles of incorporation; and upon such recording, the dissolution shall be effective. (As amended by act approved July 23, 1965.)

ARTICLE 10—Involuntary Liquidation.

Section 10-1. Commissioner to Appoint Receiver.) If the Commissioner after taking custody of an association under the section of this Act concerning Commissioner's Authority to Take Custody, finds that any one or more of the reasons for taking custody continues to exist through the period of his custody, then he shall appoint any qualified person, firm or corporation as receiver or co-receiver of such association or trust for the purpose of liquidation. In the case of an insured association, he may appoint the insurance corporation or its nominee as such receiver or as a co-receiver; and the insurance corporation may be permitted to serve without bond. The receiver shall take possession of and title to the books, records, and assets of every description of the association or trust. (As amended by act approved July 23, 1965.)

Section 10-2. Filing of Complaint by Attorney General.) After so appointing a receiver, the Commissioner shall direct the Attorney General to file a complaint in equity in the name of the Commissioner in the circuit or superior court of the county in which such association or trust is located and against the association or trustees or liquidators, as the case may be, for the orderly liquidation and dissolution of the association or trust and for an injunction restraining the officers, directors, trustees, or liquidators, from continuing the operation of the association or trust. No complaint shall be filed nor shall other proceedings be commenced in any court for the dissolution or winding up of the affairs of the association or trust except in the name of and by authority of the Commissioner represented by the Attorney General. (As amended by act approved July 23, 1965.)

Section 10-3. Receiver's Powers; Court Supervision.) Upon order of the court in which the Commissioner's complaint for dissolution and winding up of the affairs of the association has been filed, the receiver shall have the power and shall be charged with the duties and responsibilities as follows:

(a) To sell and compound all bad or doubtful debts on such terms as the court shall direct;

(b) To sell the real and personal property of the association on such terms as the court shall direct:

(c) To petition the court for authority to borrow money to protect assets or to facilitate liquidation and distribution and to pledge assets as security therefor, which petition shall be heard by the court upon such notice to all parties in interest as the

court shall direct, and such loans may be obtained and assets pledged as security therefor upon such terms and conditions as may be deemed expedient and necessary;

(d) To make and carry out agreements with the insurance corporation or with any other financial institution for the payment or assumption of the association's liabilities, in whole or in part, and to sell, convey, transfer, pledge or assign assets as security or otherwise, and to make guaranties in connection therewith. (As amended by act approved July 23, 1965.)

Section 10-4. Expenses of Custody and Receivership.) All expenses incurred by reason of the examination, custody, and receivership, including compensation to such receiver, accountants, or clerical assistants, and reasonable solicitors' and attorneys' fees, approved by the Commissioner or the court, shall be paid out of the assets of such association or trust. (As amended by act approved July 23, 1965.)

Section 10-5. Notice to Creditors.) The receiver shall cause notice to be published calling on all persons who may have claims against such association or trust to present the same to such receiver and to make legal proof thereof, and the said claims shall be presented to the court, and the allowance or disallowance of such claims by the court in connection with said proceedings shall be deemed an adjudication in a court of competent jurisdiction. After the expiration of the time specified in such publication, the receiver shall file with the Commissioner and with the clerk of the court a correct list of all creditors and all members of the association or beneficiaries of the trust, as shown by the books and records, who have not presented their claims, and the amount of their respective claims, after allowing all just credits, deductions and setoffs as shown by the books and records. Such claims so filed shall be deemed proven, unless objections are filed thereto by any parties interested therein within such time as shall be fixed by the court and such notice of application for adjudication of such claims shall be given as the court may direct. (As amended by act approved July 23, 1965.)

Section 10-6. Distribution by Receiver.) Claims having a preference in law shall be given preference in payment; except that no payment of less than ten dollars (\$10.00) need be made until final distribution. No distribution shall be made on claims for capital until such preferred creditors have been paid or provided for in full, or during the pendency of any suit unless sufficient funds are segregated to pay any judgment which may be rendered in such suit. At any time after the expiration of the published claim date and from time to time, the receiver may make ratable distribution on all such claims as may have been proven to the satisfaction of the receiver, or adjudicated in a court of competent jurisdiction. Final distribution shall be made in accordance with the next succeeding section of this article.

Section 10-7. Final Distribution and Dissolution by Court.) When all assets have been liquidated

and all claims and expenses have been paid except for the final distribution, dissolution of the association shall be accomplished in the following manner:

(a) The receiver shall file with the court the final report of his acts and proposed final distribution.

(b) Upon the court's approval of the final report, the receiver shall give such notice, and thereafter shall make final distribution, in such manner as the court may direct.

(c) When final distribution has been made except as to any unclaimed money, the receiver shall deposit such unclaimed money with the Commissioner and shall deliver to the Commissioner all books of account and other records, in the manner and for the purpose prescribed in the section of this Act concerning Final Distribution and Dissolution by Commissioner.

(d) Upon completion of the foregoing procedure, and upon the petition of the Commissioner (represented by the Attorney General) and the receiver, the court may find that the association or trust should be dissolved; and after such publication of notice of dissolution as the court may direct, the court may enter a decree of dissolution. (As amended by act approved July 23, 1965.)

ARTICLE 11—Miscellaneous Provisions.

Section 11-1. Reservation of Powers to General Assembly.) The General Assembly shall have power to amend, repeal, or modify this Act, and such amendments or modifications shall be binding upon any and all associations operating under this Act.

Section 11-2. Applicability of Other Acts.) Whenever in any act the terms "savings and loan," "building and loan," "mutual building loan and homestead," "building loan and homestead," or other similar name, are used with reference to associations organized for the purposes of associations incorporated under this Act, such reference shall be applicable to associations operating under this Act; and whenever in any act the terms "members," "shareholders," or "investors" are used in connection with such associations, however named, the same shall refer to members and holders of capital of associations operating under this Act.

Section 11-3. Separability.) If any provision, clause, or phrase of this Act or the application thereof to any person or circumstance, is held invalid, such invalidity shall not affect other provisions or applications of this Act, which can be given effect without the invalid provisions or application, and to this end the provisions of this Act are declared to be separable.

Section 11-4. Repealer.) "An Act in relation to mutual building, loan and homestead associations" filed June 19, 1919, and all acts amendatory thereof, are hereby repealed.

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State of Illinois

RICHARD B. OGILVIE, Governor



ILLINOIS SAVINGS AND LOAN ACT

1969 Edition

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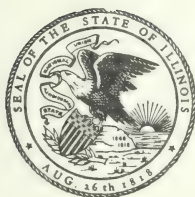
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DEPARTMENT OF REVENUE

**Office of The Commissioner of
Savings and Loan Associations**

State of Illinois

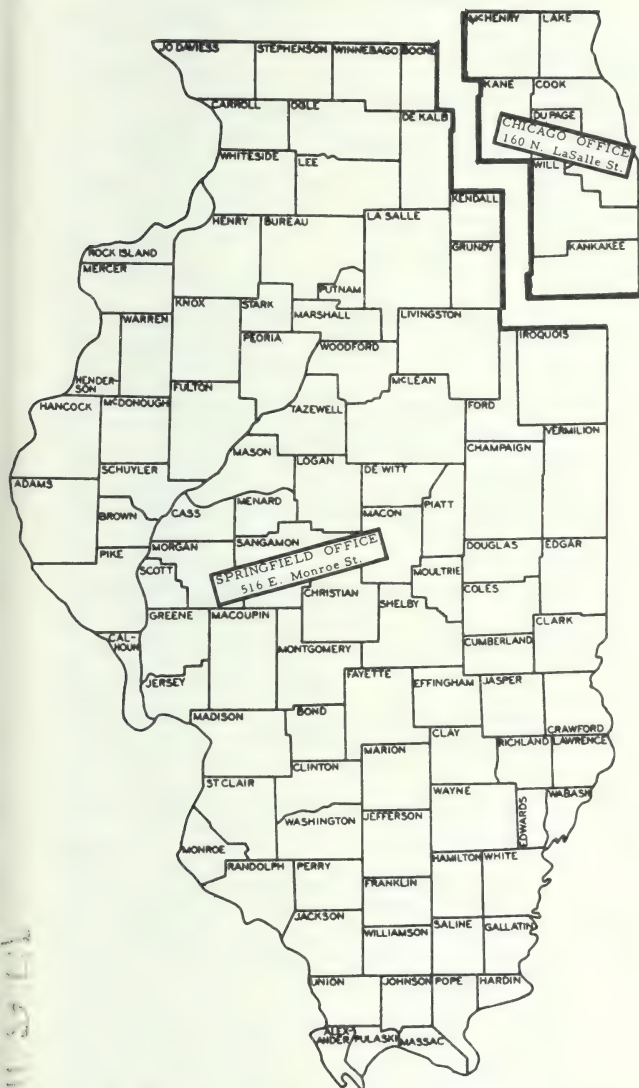
RICHARD B. OGILVIE, Governor



**ILLINOIS SAVINGS
AND LOAN ACT**

1969 Edition

**Office of The Commissioner of
Savings and Loan Associations**



▲ To provide greater assistance in the administration and supervision of the Savings and Loan Associations, the Commissioner maintains both a Chicago office and Springfield office. Each office serves that part of the State indicated by the division of the State on the map above.

▲ Associations in the Chicago area should direct inquiries to the Commissioner of Savings and Loan Associations, 160 North LaSalle Street, Chicago, Illinois 60601. Telephone: 793-2031.

▲ Associations in the Springfield area should direct inquiries to the Commissioner of Savings and Loan Associations, 516 East Monroe Street, Springfield, Illinois 62706. Telephone: 525-2712.

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ILLINOIS SAVINGS AND LOAN ACT

AN ACT to revise and codify the laws in relation to Savings and Loan Associations and to provide penalties for the violation thereof, and to repeal an Act therein named. Approved July 5, 1955.

ARTICLE 1—General Provisions

Section 1-1. Short Title.) This Act shall be known and may be cited as the "Illinois Savings and Loan Act".

Section 1-2. Policy of Act.) The General Assembly has found and declares:

(a) That the savings and loan business, otherwise known as the building, loan, and homestead business, which is within the scope of this Act, has so expanded in recent years, and has become so integrated with the financial institutions of this State and is so important as a method of promoting home ownership and thrift, that such business, to an even greater extent than heretofore, is affected with a public interest and should continue to be supervised as a business affecting the economic security and general welfare of the people of this State;

(b) That such business should be operated only by associations organized and conducted in accordance with the authority provided in this Act;

(c) That the number and minimum size of the associations conducting such business should be controlled in the interest of securely and efficiently serving the needs of the localities in which they operate;

(d) That the public interest requires the promotion and fostering of the savings and loan, or building, loan, and homestead business and the assurance of its financial stability;

(e) That in order to further the policies herein expressed, the provisions of this Act shall be liberally construed to promote and foster the purposes of savings and loan associations.

Section 1-3. Scope of Act; Application to Federal Associations.)

(a) This Act applies to all existing mutual building loan and homestead associations, savings and loan associations, savings associations, building and loan associations, and other similar associations by whatever name called, organized under this or any prior Act; and to all foreign associations duly authorized to do business in this State.

(b) Unless Federal laws or regulations provide otherwise, Federal associations and their members shall possess all of the rights, powers, privileges, immunities, and exemptions granted by this Act to associations operating hereunder and to the members thereof, or by any other Act or Section thereof, to such associations or members, whether or not specifically mentioned in the Section or Sections granting such rights, powers, privileges, immunities and exemptions. (As amended by act approved August 14, 1961.)

Section 1-4. Effect on Existing Associations.)
With respect to any existing association:

(a) The by-laws, shares, and contracts of such association shall continue in full force and effect; but the association shall be operated in accordance with the provisions of this Act.

(b) If the association accepts the benefits of, or avails itself of the powers given by this Act, the association shall be subject to the provisions and requirements of this Act in every particular, as if the association had been organized under this Act.

(c) That portion of the statement of incorporation, charter, or certificate of complete organization of an existing association, which corresponds to the contents of articles of incorporation, as defined in Section 2-8 of this Act, shall be deemed to be the articles of incorporation of such association; and that portion of its statement of incorporation, charter, and certificate of complete organization corresponding to the contents of by-laws, as defined in Section 2-9 of this Act, shall be deemed to be the by-laws of such existing association.

Section 1-5. Prohibitions.)

(a) No person or group of persons, except an association duly incorporated under this Act or a prior act, or a Federal association, or a foreign association duly authorized to do business in this State, shall transact business within the scope of this Act or do any business under any name or title, or circulate or use any advertising or make any representation or give any information to any person, which indicates or reasonably implies the operation of a business which is within the scope of this Act.

(b) A court of competent jurisdiction may issue an injunction to restrain any person from violating or continuing to violate any of the foregoing provisions of this section.

(c) Any person who violates any provision of this section shall be punished by a fine of not more than one thousand dollars (\$1,000.00).

Section 1-6. General Corporate Powers.) An association operating under this Act shall be a body corporate and politic and shall have all of the specific powers conferred by this Act in addition thereto, the following general powers:

(a) To sue and be sued, complain and defend in its corporate name; and to have a common seal, which it may alter or renew at pleasure;

(b) To obtain and maintain insurance of the association's withdrawable capital by an insurance corporation as defined in this Act;

(c) To become a member of the Federal Home Loan Bank, and to have all of the powers granted to a savings or thrift institution organized under the laws of the United States subject to regulations of the Commissioner except as specifically prohibited by this Act;

(d) To act as a fiscal agent for the United States when duly designated for that purpose, and as such agent to perform such reasonable functions as may be required of it;

(e) To become a member of or deal with any corporation or agency of the United States or the State of Illinois, to the extent that such agency assists in furthering or facilitating the association's purposes or powers and to that end to purchase stock or securities thereof or deposit money therewith, and to comply with any other conditions of membership or credit;

(f) To make donations in reasonable amounts for the public welfare or for charitable, scientific, religious, or educational purposes;

(g) To adopt and operate reasonable insurance, bonus, profit sharing and retirement plans for officers and employees; likewise, directors who are not officers may participate in such insurance plans;

(h) To reject any application for membership; to retire withdrawable capital by enforced retirement as provided in this Act and the by-laws; and to limit the issuance of or payments on withdrawable capital, subject however to contractual obligations;

(i) To purchase stock in a service corporation in an amount not to exceed 2% of the association's assets and to invest in any form of indebtedness of any service corporation as defined in this Act, subject to regulations of the Commissioner;

(j) To purchase stock of a corporation whose principal purpose is to operate a safe deposit company or escrow service company;

(k) To exercise all the powers necessary to qualify as a trustee or custodian under the Federal Self-Employed Individuals' Tax Retirement Act of 1962 or any amendments thereto and invest any funds held in such capacity in a savings account of the institution if the trust or custodial retirement plan does not prohibit such investment. (As amended by act approved September 19, 1969.)

Section 1-7. Power to Borrow.)

(a) The board of directors may borrow money for the uses and purposes of the association, and may pledge, mortgage, or otherwise encumber any of its assets in connection therewith; but such borrowing shall not exceed fifty per cent (50%) of the aggregate withdrawal value of the association's withdrawable capital without prior approval of the Commissioner. A subsequent reduction of withdrawable capital shall not affect in any way outstanding obligations for borrowed money.

(b) A debt incurred by the association in violation of this section is not invalid or illegal as to the rights of the lender. (As amended by act approved July 23, 1965.)

Section 1-8. Incidental Powers.) An association also shall have any power conferred on a corporation by the Business Corporation Act, and any power not prohibited by law, which is reasonably incident to the accomplishment of the express powers conferred upon the association by this Act.

Section 1-9. Powers Not to be Exercised.)

(a) No association to which this Act applies

shall accept or carry any demand, commercial or checking account.

(b) No association shall establish branches or offices at which savings or investments are regularly received or loans approved unless and to the geographical extent branch powers and offices are granted to state banks under the "Illinois Banking Act", as amended, or as it may be amended or supplemented. (As amended by act approved July 16, 1963.)

Section 1-10. Definitions.) The following words and phrases have the following respective definitions for the purpose of this Act, except to the extent that any such word or phrase is specifically qualified by its context:

(a) "Savings and Loan Board": the Illinois Savings and Loan Board, as described in the article of this Act concerning Supervision.

(b) "Aggregate withdrawal value": the sum of all payments made on all withdrawable capital accounts of the association and all dividends, and bonuses credited or allocated to such accounts, and all dividends credited to "divided profits" for subsequent crediting to accounts upon maturity; less all withdrawals, retirements, and other proper deductions from accounts and all unpaid charges thereon.

(c) "Association": every association to which this Act applies, as defined in the section concerning Scope of Act.

(d) "Commissioner": The Commissioner of Savings and Loan Associations, or some person authorized by him to act in his stead.

(e) "Community": a city, village, or incorporated town in this State.

(f) "Continuing association": the association which continues to exist after a merger of associations has been effected.

(g) "Federal association": a savings and loan association or savings association operating under the laws and regulations of the United States.

(h) "Fiduciary": a trustee, executor, administrator, guardian, conservator, agent, receiver, trustee in bankruptcy, assignee for creditors, or any holder of a similar position of trust.

(i) "Impaired" or "impairment", with respect to capital: a condition in which the value of the association's assets is less than the aggregate amount of the association's liabilities to creditors, members, and the aggregate value of its withdrawable capital, and the aggregate par value of its permanent reserve capital.

(j) "Insurance corporation": The Federal Savings and Loan Insurance Corporation, or such other instrumentality of or corporation chartered by the United States as hereafter may be established for the purpose of insuring the withdrawable capital of savings and loan associations.

(k) "Insured association": an association the withdrawable capital of which is insured wholly or in part by an insurance corporation.

(l) "Merger": includes consolidation.

(m) "Merging association": an association which plans or effects a merger with one or more other associations in accordance with the provisions of this Act concerning merger.

(n) "Person": an individual, partnership, joint venture, trust, estate, unincorporated association, or corporation.

(o) "Prior Act": any statute of this State which, prior to the effective date of this Act, has governed the formation and operation of associations of the type described in the section of this Act concerning Scope of Act.

(p) "Profits": as determined by application of proper accounting principles, gross income less the aggregate of operating and real estate expenses, losses actually sustained and not charged to reserves under the provision of this Act, interest paid or accrued on borrowings and nonrecurring charges.

(q) "Publication", "publish", or "published": printed in the American language in a newspaper of general circulation published in the community in which the association's business office is located, or if no such newspaper exists in said community, then in the county in which such business office is located. Unless otherwise specified in this Act, publication shall be made once each week for 3 successive weeks.

(r) "Mail" or "mailed", with respect to a writing or notice: deposit in a United States Post Office mailing facility, in this State, postage prepaid, correctly addressed to the proper person at his address stated on the association's records or otherwise agreed upon, or if no address has been so established, then to the last known address.

(s) "Total assets": the total value of all loan contracts without deduction for the withdrawal value of any capital accounts of the association held as collateral for loans, and the total value of all other assets of the association, as determined by the application of proper accounting principles.

(t) "Withdrawal value" of a capital account: the sum of all payments made by the holder on the account and all dividends, and bonuses credited or allocated to such account, less all withdrawals, retirements, and other proper deductions therefrom and all unpaid charges thereon. However, "withdrawal value" of a share account which is voluntarily withdrawn by the holder before maturity thereof, does not include any portion of the dividends which, pursuant to the by-laws, have not been credited directly to the account but have been credited to "divided profits" of the association, and which the association is entitled to retain by reason of such voluntary withdrawal; and does not include any portion of the bonus reserve which may be retained.

(u) "Service corporation": any corporation which is 90% or more owned by three or more associations and whose purpose or purposes are reasonably incident to the accomplishment of the express powers conferred upon associations by this Act.

(v) Any commercial bank the stock of which is 90% or more owned by three or more associations

shall be deemed a state chartered central reserve institution. Neither a service corporation nor a central reserve institution as defined by this Act shall establish branches or offices unless and to the extent that branch powers and offices are granted to state banks under the "Illinois Banking Act" as amended, or the "Illinois Banking Holding Company Act" as amended. (As amended by act approved July 11, 1967.)

ARTICLE 2—Incorporation and Organization.

Section 2-1. Applicants and Initial Capital.) Any five or more adult individuals, residents of this State, may apply for a permit to organize an association under this Act. The minimum initial capital which an association must have shall be determined by the population of the community in which the association's business office is to be located, in accordance with the following table and such regulations as from time to time are promulgated by the Commissioner:

Population		Minimum Capital
More than	Not more than	
—	5,000	\$ 15,000
5,000	10,000	25,000
10,000	50,000	50,000
50,000	—	200,000

If the association's business office is to be located in an unincorporated area more than five miles from the limits of any community, then the required minimum capital shall be that for a community of five thousand (5,000) population or less; otherwise, the required capital shall be that of the community to which it is adjacent, or if near several communities, that of the community with the highest population classification in the above schedule. Minimum capital to be paid in may consist of withdrawable capital and permanent reserve capital as provided in this Act. If the capital of the association to be organized includes permanent reserve capital, the amount of minimum initial permanent reserve capital shall be not less than twenty-five thousand dollars (\$25,000), and not less than fifty-thousand dollars (\$50,000) if the association is to be located in a county with more than five hundred thousand (500,000) population. (As amended by act approved September 19, 1969.)

Section 2-2. Application for Permit to Organize.) The application for a permit to organize an association shall be addressed to the Commissioner in such form as he shall provide; shall be in duplicate, personally signed by each applicant and acknowledged by each applicant in the manner provided for the acknowledgment of deeds. The applicants shall submit with their application statements, exhibits, maps, and other data, which data shall be sufficiently detailed and comprehensive to enable the Commissioner to pass upon the application. (As amended by act approved July 23, 1965.)

Section 2-3. Findings.) The applicants shall publish a notice of intention to organize in such form

as the Commissioner shall prescribe. The Commissioner may cause an investigation to be made and consider such other information as may be submitted to him to determine his findings at any time prior to the issuance of a permit to organize. (As amended by act approved July 23, 1965.)

Section 2-4. Commissioner's Approval and Issuance of Permit to Organize.) The Commissioner shall not approve the application and issue a permit to organize unless he shall find:

(a) That a need exists for an association in the community or area of operation stated in the application;

(b) That the proposed capital meets the requirements of this Act;

(c) That the general character of the proposed management is such as to assure reasonable probability of the success of the association; and further to assure the success of the association the Commissioner may require as a condition in the permit that insurance of withdrawable capital shall be effective prior to the issuance of a Certificate of Complete Organization;

(d) That the name of the proposed association is not the same as, or deceptively similar to, the name of any other association in the community or area of operation; and no such name shall contain the words "guaranty", "guarantee", "insured", or any other word the meaning of which might imply that the association is insured by the Insurance Corporation unless in fact such insurance or a commitment to insure has been obtained, and such prohibition shall likewise extend to an association amending its articles of incorporation to change its name;

(e) That such association can be established without undue injury to properly conducted existing associations. (As amended by act approved July 23, 1965.)

Section 2-5. Subscription to Capital and Temporary Organization.) Upon receipt of the permit to organize an association, the applicants shall constitute the organization committee and shall perfect a temporary organization by electing a chairman, vice-chairman, and a secretary, who shall act as the temporary officers of such association until their successors are duly elected and qualified. Such temporary officers thereupon shall proceed to:

(a) Secure subscriptions for the required amount of capital in form and manner approved by the Commissioner; and

(b) Call a meeting of subscribers, who shall adopt articles of incorporation and elect directors to serve until the first annual meeting of the association and until their successors are elected and qualified. (As amended by act approved July 23, 1965.)

Section 2-6. Completion of Organization.) The directors so elected shall proceed to:

(a) Organize as a board and qualify as directors;

(b) Adopt by-laws;
(c) Elect officers pursuant to the by-laws;
(d) Collect subscriptions to the required capital, but only after the persons designated to collect such subscriptions have been bonded as provided in this article;

(e) Take such other action as may be necessary to complete the organization;

(f) Report the completion of the organization to the Commissioner. Unless such report is made to the Commissioner within 12 months after the date of the permit to organize, or if applicable, 90 days after the date of final determination of the original application for insurance of accounts including the time specified for compliance with Conditions of the Insurance Corporation as evidenced in writing by the insurance corporation, the permit shall be deemed revoked and any subscriptions collected shall be refunded unless the 12 month period heretofore referred to is extended for an additional period not to exceed 24 months by the Commissioner. (As amended by act approved September 19, 1969.)

Section 2-7. Certificate of Complete Organization.) When the board of directors has organized as provided in this Act and the report of organization has been filed with the Commissioner, he shall make a thorough examination into the affairs of the association, and if he approves the articles of incorporation and is satisfied that all the requirements of this Act have been complied with, and that no intervening circumstance has occurred to change the Commissioner's findings made pursuant to this Act, upon payment to the Commissioner of the reasonable expenses of such examination as determined by the Commissioner, he shall issue a certificate of complete organization authorizing the association to commence business. Such certificate together with the articles of incorporation shall be recorded by filing the same for record in the office of the recorder of deeds in the county in which the association is located. Upon such recording the association shall be fully organized and may commence to do business. Such certificate of complete organization and articles of incorporation, or duly certified copies of the recording thereof, shall be conclusive evidence except against the State that the association has complied properly with all requirements for organization, has been duly incorporated, and is authorized to do business under the provisions of this Act. (As amended by act approved July 23, 1965.)

Section 2-8. Contents of Articles of Incorporation.)

(a) The articles of incorporation shall set forth:

- (1) The name of the association.
- (2) The initial location of the business office.
- (3) The duration of existence, which is perpetual unless otherwise specified.
- (4) The initial number of directors, not less than five (5).

(5) The authorization, if any, to issue withdrawable shares, the aggregate amount of which may be unlimited.

(6) The authorization, if any, to issue permanent reserve shares, the aggregate number thereof, and the par value per share which shall not be less than one dollar (\$1.00).

(7) The date of the annual meeting of the members which shall be not more than sixty (60) days after the close of the association's fiscal year.

(8) The quorum required for action of members if a quorum other than that specified in this Act is desired.

(9) Any other provision, not inconsistent with law, which the subscribers or members may desire, for the internal regulation of the affairs of the association.

(b) The articles need not set forth any of the powers which this Act confers. (As amended by act approved September 19, 1969.)

Section 2-9. Contents of By-laws.)

(a) The by-laws of the association shall provide for the following matters consistent with any applicable provisions of this Act:

(1) The number of directors and the minimum frequency of directors' meetings, which shall be at least monthly.

(2) The titles and duties of the officers.

(3) The officers authorized, or who may be authorized, by the directors to execute instruments.

(4) A description of the corporate seal.

(5) The fiscal year of the association.

(6) The location of the business office.

(b) Such by-laws may provide also for any or all of the following matters, among others, consistent with any applicable provisions of this Act:

(1) The method of calling special meetings of the members; requirements for giving notice of meetings of members in addition to the notice prescribed by this Act; and methods of nominating directors and other voting and election procedures.

(2) The method of determining the record date for voting, dividend, and other purposes.

(3) The procedure for the transfer of ownership of capital and for the enforcement of charges and liens.

(4) The plan or plans under which withdrawable capital is to be issued; the classes into which it may be divided; and the characteristics of each class as to time of issuance, times and amounts of payments to be made, classification for dividends, purposes, and such other terms as are permitted by this Act.

(5) The method by which the directors may enforce retirement of unpledged withdrawable capital.

(6) The frequency with which profits of

the association shall be apportioned and the methods of apportionment.

(7) Provision for establishment of executive, loan, investment, and appraisal committees, and such other special or standing committees as may be desirable.

(c) The Commissioner may publish one or more standard forms of by-laws conforming to the provisions of this Act which may be adopted by associations. (As amended by act approved September 19, 1969.)

ARTICLE 3—Membership and Management.

Section 3-1. Members.)

(a) The membership of an association consists of:

(1) Every depositor, holder of a withdrawable capital account of the association, or one or more withdrawable or permanent reserve shares, issued by the association; and

(2) Every borrower from the association, as long as his loan remains unpaid and he remains liable to the association for the payment thereof; and every obligor of an investment made by the association under the provisions of the section of this Act concerning Investments in Obligations of Members; each of which members shall be known as a borrowing member.

(b) Each joint ownership and each joint obligation shall constitute one membership. (As amended by act approved September 19, 1969.)

Section 3-2. Members' Meetings.)

(a) Each annual meeting of members shall be held at the time specified in the articles of incorporation; but the failure to hold an annual meeting at the time so specified shall not work a forfeiture or dissolution of the association. The board of directors, or the holders of not less than twenty per cent (20%) of the outstanding permanent reserve shares or of the withdrawal value of all withdrawable capital of the association, or such other person or persons as may be designated by the by-laws, may call a special meeting of the members. Every annual or special meeting shall be held at the business office of the association, or, if the space therein available for such meeting is inadequate, in such other place within the same county as shall be specifically designated in the notice of such meeting. Notice of an annual meeting shall be published once not less than ten (10) days nor more than forty (40) days before the date of the meeting. However, for any special meeting, or for any annual meeting which is to consider any proposition the affirmative action on which requires a two-thirds vote as set forth in this Act, the notice shall be by mail. Published or mailed notice shall state the place, day, hour and purpose of the meeting.

(b) A quorum at any meeting of the members shall consist of the members present in person or represented by proxy, who are entitled to cast a majority of the total number of votes which all mem-

bers of the association are entitled to cast at such meeting; except that the articles of incorporation may specify some other quorum requirement, but not less than one-third of such total number of votes. Any meeting, including one at which a quorum is not present, may be adjourned by majority vote to a specified date without further notice.

(c) Voting at a meeting may be either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

(d) In the determination of all questions requiring ascertainment of the members entitled to vote and of the number of outstanding shares, the following rules shall apply:

(1) The date of determination shall be as provided in the section of this Act concerning Record Date for Voting, Dividend and Other Purposes.

(2) Each person holding one or more withdrawable share accounts shall have the vote of one share for each one hundred dollars of the aggregate withdrawal value of such accounts, and shall have the vote of one share for any fraction of one hundred dollars.

(3) Each holder of permanent reserve shares shall have one vote for each permanent reserve share which he holds.

(4) Each borrowing member as such shall have the vote of one share in addition to any vote which he may have otherwise.

(5) Shares owned by the association shall not be counted or voted. (As amended by act approved July 11, 1957.)

Section 3-3. Record Date for Voting, Dividend and Other Purposes.) For the purpose of determining the holders of shares, capital accounts, and membership entitled to notice of or to vote at any meeting of the members, or in order to make a determination of the members, holders, or other persons for any other proper purpose, the by-laws may provide for a record date, not less than ten (10) days nor more than forty (40) days before the meeting, or other event or transaction with regard to which the determination is to be made; and such determination shall be made as of the close of business on such record date. If the by-laws do not provide for a record date, the board of directors may fix such a date for each such determination, within the time stated above; and if the board of directors shall fail to so fix a date, the record date for a meeting shall be the date on which the first notice of meeting is given. Shares or share accounts withdrawn or retired after such record date shall not be voted or counted in determining the number of shares outstanding. This Section shall be applicable to the dividend payments on permanent reserve capital; but dividends on withdrawable capital shall be governed by the section of this Act concerning Dividends. (As amended by act approved July 11, 1957.)

Section 3-4. Directors.) The business and affairs of the association shall be exercised by its board of directors, which shall be elected, and shall exercise its powers, as follows:

(a) The board of directors shall consist of the number of directors fixed by the by-laws but shall be not less than 5; all directors shall be bona-fide members of the association; and at all times at least two-thirds of the directors shall be residents of this State.

(b) Directors shall be elected for one year and shall serve until their successors are elected and qualified. In all elections of directors cumulative voting shall be permitted as provided in the Constitution of this State.

(c) In the event of a vacancy on the board of directors from any cause, the remaining directors shall have full power and authority to continue the management of the association. Each vacancy may be filled by election at a special meeting of the members.

(d) The board of directors shall hold regular meetings as provided in the by-laws. Special meetings may be held as provided in the by-laws, and also upon call by the Commissioner after not less than 12 hours' notice by personal or mail service to each director.

(e) A majority of the board of directors shall constitute a quorum for the transaction of business unless a greater number is required in the by-laws. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by law, the articles of incorporation, or the by-laws.

(f) The board of directors shall have all powers which are necessary and proper to enable the association to accomplish its purposes.

(g) The board of directors may adopt or amend by-laws, but no by-law shall be effective until it has been submitted to and approved by the Commissioner as being in conformity with this Act. Each adopted amendment shall be subject to the same inquiry by the Commissioner as the corresponding provision in the original by-laws of the association except as provided in subsection (h).

(h) If a by-law amendment provides for a change in the location of an association's business office to a location which is more than one mile distant from the existing location, the Commissioner shall not approve the amendment unless he finds that; (1) a need exists for an association in the proposed new location; (2) the capital of the association meets the minimum initial capital requirements of this Act with respect to the new location; (3) the proposed change of location can be effected without undue injury to other properly conducted associations; and (4) notice of the association's proposal to change location has been published at least once in the community of the proposed new location. The Commissioner may hear evidence to determine his findings at any time prior to his approval or disapproval of the amendment; and he may require,

as a condition of his approval, ratification of the amendment by the vote (at a meeting of the members) or the written consent of the members of the association who are entitled to cast a majority of the total number of votes which all members of the association are entitled to cast. (As amended by act approved September 19, 1969.)

Section 3-5. Waiver of Notice.) Whenever notice is required to be given under this Act, a waiver thereof in writing signed by the person or persons entitled to said notice, shall be deemed equivalent thereto.

Section 3-6. Officers; Suspension and Removal of Officers, Directors, and Employees.)

(a) The officers of an association shall consist of a president, one or more vice presidents, secretary, treasurer, and such other officers as the by-laws shall provide, to be elected by the directors; if the by-laws so provide, any two or more offices may be held by the same person, except that one person shall not hold the offices of president and secretary. The duties and powers of the secretary may be set forth in the by-laws of the association and may be exercised by any other officer designated by the board of directors.

(b) The existence of an association shall not terminate by reason of the failure to elect officers at the time mentioned in the by-laws, and each officer shall hold his office until his successor is elected and qualified.

(c) Whenever any officer, director, or employee of an association is charged in any indictment with the commission of or participation in a crime involving the affairs of any association incorporated under this Act, a Federal association, or any other financial institution, the Commissioner may, by written notice served upon such officer, director, or employee, suspend him from office. Such suspension shall remain in effect (unless such officer, director, or employee sooner resigns or is not reappointed or re-elected at the expiration of his term of office) until such officer, director, or employee is convicted or is adjudged not guilty of such offense or the indictment is dismissed or otherwise disposed of. If such officer, director, or employee is convicted of such offense, he shall thereupon cease to be an officer, director, or employee of such association; but if he is found not guilty, his suspension shall automatically be terminated. The Commissioner may request the Attorney General to file an action on his behalf to enforce any order made under this subsection.

(d) The board of directors shall designate and determine the management structure of the association and elect or appoint all officers. Each of the officers elected or appointed by the board of directors shall serve at the pleasure of the board of directors or pursuant to a written employment contract between the officer and the association. (As amended by act approved September 19, 1969.)

Section 3-7. Bonds of Officers and Employees.)

(a) Every person appointed or elected to any

position requiring the receipt, payment, management or use of money belonging to an association, or whose duties permit him to have access to or custody of any of its money or securities or whose duties permit him regularly to make entries in the books or other records of the association, before assuming his duties shall become bonded in some fidelity insurance company licensed to do business in this State. Each such bond shall be on a form or forms as the Commissioner shall require and in such amount as the board of directors shall fix and approve.

(b) Nothing contained herein shall preclude the Commissioner from proceeding against an association as provided in this Act should he believe that it is being conducted in an unsafe manner in that the form or amount of bonds so fixed and approved by the board of directors is inadequate to give reasonable protection to the association. (As amended by act approved July 23, 1965.)

Section 3-8. Access to Books and Records; Communication with Members.)

(a) Every member or holder of capital shall have the right to inspect such books and records of the association as pertain to his account. Otherwise, the right of inspection and examination of the books and records shall be limited to the Commissioner, as provided in this Act, and to any Federal instrumentality or agency authorized to inspect or examine the books and records of an insured association; and no other person shall have access to the books and records except upon express authority of the board of directors, or shall be entitled to a list of the members.

(b) However, if any member desires to communicate with the other members of the association with reference to any question pending or to be presented at a meeting of the members, the association shall give him upon request a statement of the approximate number of members entitled to vote at such meeting and an estimate of the cost of preparing and mailing such communication. The requesting member then shall submit the communication to the Commissioner who, if he finds it to be appropriate and truthful, shall direct that it be prepared and mailed to the members, upon the requesting member's payment or adequate provision for payment of the expenses of such preparation and mailing. (As amended by act approved July 23, 1965.)

ARTICLE 4—Capital.

Section 4-1. Types of Capital; Personal Property.)

(a) The capital of an association may be represented by withdrawable capital accounts (shares and share accounts) or permanent reserve shares or both, as provided in this article and as authorized by the articles of incorporation. Withdrawable capital may be referred to as shares, share capital, share accounts, share deposit, withdrawable shares, withdrawable accounts, withdrawable capital, withdrawable deposits, deposits, capital accounts, savings ac-

counts, withdrawable share capital or any other term or terms appropriate. Dividends declared on withdrawable capital pursuant to this Act may be referred to as dividends, earnings, interest, return or rate of return. The use of any term permitted by this subsection shall not affect any right, duty, privilege, or liability which the savings and loan association any member or any depositor would otherwise have.

(b) All shares and capital accounts shall be personal property in the hands of their holders, transferable as provided in this Act and the by-laws of the association. (As amended by act approved September 19, 1969.)

Section 4-2. Withdrawable Capital.) Withdrawable capital accounts shall be:

(a) Withdrawable and subject to enforced retirement as provided in this article. Nothing in this Act shall prevent the withdrawal of funds from an association by nonnegotiable order.

(b) Entitled to dividends as provided in this article;

(c) Nonassessable for either debts or losses of the association;

(d) Issued on such plan or plans of payment therefor or thereon and such series or classes as the by-laws and Commissioner's regulations may provide. (As amended by act approved September 19, 1969.)

Section 4-3. Permanent Reserve Shares—Nature.) Permanent reserve shares shall constitute a secondary reserve out of which losses shall be paid after all other available reserves have been exhausted, and shall have a par value of one dollar (\$1.00) each or such greater amount as the articles of incorporation may prescribe; and such shares shall be:

(a) Nonwithdrawable, except as provided in the section of this article on Retirement or Reduction of Permanent Reserve Capital, until all liabilities of the association have been satisfied in full, including payment of the withdrawal value of all other types or classes of capital.

(b) Entitled to dividends only as provided in the section of this article concerning Dividends.

(c) Issued only upon cash payment of not less than the par value thereof, or in exchange for the withdrawal value of withdrawable capital accounts, or in connection with a merger, sale of all assets, or conversion, or as stock dividends as provided in the section of this article on Dividends. (As amended by act approved July 11, 1957.)

Section 4-4. Permanent Reserve Shares — Authorization of Issuance; Minimum Amount.)

(a) An association may provide for the issuance of permanent reserve shares, either by its original articles of incorporation or by an amendment thereto.

(b) The aggregate par value of the initial issue of permanent reserve shares shall be not less

than the minimum initial permanent reserve capital which the association, if it were being organized, would be required to have under the provisions of the section of this Act concerning Applicants and Initial Capital; and also shall not be less than the amount computed by adding 3% of the first \$5,000,000 of the aggregate withdrawal value of the association's withdrawable capital, 2% of the next \$2,500,000 of such capital and 1% of any excess of such capital over \$7,500,000.

(c) Any plan for the issuance of permanent reserve shares shall be subject to the approval of the Commissioner as being equitable and in conformity with the provisions of this Act, and the rules and regulations of the Commissioner pertaining thereto. (As amended by act approved July 23, 1965.)

Section 45. Permanent Reserve Shares—Rights of Existing Shareholders.) When an association already in operation amends its articles of incorporation to authorize the issuance of permanent reserve shares:

(a) The association shall mail notice to each shareholder who was entitled to vote at the meeting at which the amendment was adopted, giving him the prior right for at least sixty (60) days after the date of mailing such notice, to subscribe to the initial issue of permanent reserve shares, in the same proportion which the withdrawal value of such holder's share account bears to the aggregate withdrawal value of all withdrawable share accounts in the association. Such rights to subscribe shall be transferable. No fraction of an original permanent reserve share need be issued, but in such case fractional subscription rights may be combined to authorize the subscription to one or more whole permanent reserve shares. Fractional subscription rights need not be issued for an account the withdrawal value of which is less than ten dollars (\$10.00).

(b) Unless other provision is made with respect to reserves and undivided profits, as authorized by subsection (f) of this section, the board of directors shall determine, as of the day prior to the effective date of the amendment, the total amount of loss reserves, undivided profits, and unallocated reserves after making allowances for accrued dividends and expenses, losses not provided for, and such similar items as are chargeable against the income of the association since the last previous apportionment date. The amount so fixed shall constitute a segregated surplus of the association and may be retained in, or allocated to, such reserve accounts, undivided profits accounts, or surplus accounts as may be lawful; and other earnings of the association accruing after the effective date may be allocated to said segregated surplus and an equal amount then may be transferred to any other unsegregated account.

(c) Such segregated surplus shall be available for losses from the depreciation of securities or otherwise, except that any loss resulting from operations, including loans and investments made or purchased after the effective date of the amendment, shall be charged first to loss reserves and undivided profits

created after such date until the same are exhausted.

(d) If the association merges with another as provided in this Act, the balance of such segregated surplus shall continue to be held in a segregated account or accounts for the same use and disposition as though no merger had occurred.

(e) If the association liquidates or effects a sale of all or substantially all of its assets the balance of such segregated surplus shall be distributed to each holder of its capital in the proportion that the amount of his account bears to the total capital.

(f) In lieu of the establishment of a segregated surplus as provided in this section, the plan for the issuance of permanent reserve shares may include such other provisions with respect to the surplus, reserves and undivided profits of the association as may be approved by the vote (at a meeting of the members) or the written consent of the members of the association who are entitled to cast two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast, and in such case the surplus, reserves and undivided profits shall be retained and disposed of in accordance with such plan. (As amended by act approved July 11, 1957.)

Section 4-6. Permanent Reserve Shares — Advertisement; Sale; Collection of Subscriptions.)

(a) All prospectuses and advertising matter regarding the subscription for permanent reserve shares shall include a statement to the effect that such permanent reserve shares are not insured.

(b) No association shall pay to any person any commission or other compensation for obtaining any subscription to or sale of permanent reserve shares.

(c) The board of directors shall establish a separate account to receive all funds paid in for permanent reserve shares, and shall maintain such account until further action is authorized as follows:

(1) When the aggregate amount of such funds equals or exceeds the amount of the minimum initial permanent reserve capital which the association must obtain, and either the board of directors has decided by resolution to proceed under the permanent reserve share plan, or one year has elapsed from the date on which the issuance of permanent reserve shares was authorized and the board has taken no action, then the separate account may be terminated and the funds may be transferred to the association's general account.

(2) If the aggregate amount of such funds fails to reach the amount of the minimum initial permanent reserve capital which the association must obtain and one year has elapsed from the date on which the issuance of permanent reserve shares was authorized; or if the board of directors, within such one year period, has decided by resolution to abandon the permanent reserve share plan; then the funds in the separate account shall be returned to the respective subscribers and shall not become a liability of the association or its officers or directors. (As amended by act approved July 11, 1957.)

Section 4-7. Retirement or Reduction of Permanent Reserve Capital.)

(a) The board of directors of an association operating with permanent reserve capital may propose an amendment to the articles of incorporation providing for the retirement of all of the permanent reserve capital, and a detailed plan for effectuating such amendment. The resulting capital of the association shall be not less than the minimum initial capital which the association, if it were being organized, would be required to have under the provisions of this Act concerning Applicants and Initial Capital. The proposal shall be submitted to the Commissioner for his approval.

(b) If the Commissioner approves the proposal, the association's board of directors may request in writing an appraisal of the value of the permanent reserve shares; and the Commissioner then shall cause such an appraisal to be made, allowing proper credit to such shares from the association's segregated surplus, if any exists, and from other reserves and undivided profits. The value of the permanent reserve shares so determined may be considered in the further proceedings under this Section.

(c) The proposal then may be submitted to the members at an annual or special meeting. It shall be adopted upon receiving in the affirmative the votes of the holders of two-thirds or more of the outstanding permanent reserve shares, and also two-thirds or more of the total number of votes which all other members of the association are entitled to cast thereon. The proposal shall become effective upon completion of the procedure provided in this Act for the amendment of articles of incorporation.

(d) An association may amend its articles of incorporation, in accordance with the procedure provided in this Act for such amendments, to reduce its permanent reserve capital, but in no event to an amount which is less than the minimum permanent reserve capital which the association would be required by this Act to issue if it were newly authorized to issue permanent reserve capital. (As amended by act approved July 23, 1965.)

Section 4-8. Issuance, Delivery and Transfer of Certificates and Account Books.)

(a) Every capital account shall be evidenced by one or more appropriate certificates; and either such certificates or an account book, or both, shall be delivered to the holder of such account. The wording, type, and form of the certificates and account books issued by an association shall be subject to the approval of the Commissioner.

(b) The holder of a withdrawable capital account may transfer his rights therein absolutely or conditionally to any other person eligible to hold the same, by written assignment accompanied by delivery of the appropriate certificate or account book; but notwithstanding the effectiveness of such a transfer between the parties thereto, the association may treat the holder of record as the owner of the account for payment, voting, and all other pur-

poses until such assignment and any accompanying certificate or account book have been received by the association with a request for the transfer on the association's records.

(c) Withdrawable capital certificates, account books, and any other evidences of membership shall be nonnegotiable and not subject to Article 8 of the Uniform Commercial Code concerning Investment Securities. Permanent reserve share certificates shall be subject to the provisions of Article 8 of the Uniform Commercial Code concerning Investment Securities.

(d) All withdrawable capital certificates and account books, delivered to the holders as prescribed by this article, shall be subject to attachment and execution as provided by the laws of this State, and the association shall not be subject to garnishment proceedings concerning any capital account, except with respect to a certificate or account book in the association's possession, and when

(1) Neither a certificate nor an account book has been delivered to the holder as required by this section, or

(2) The certificate and account book (or either of them if only one has been delivered) have been returned to the association's possession.

(e) If the holder of a withdrawable capital account, or the personal representative of any such person, shall file with the association an affidavit to the effect that his account book or certificate has been lost or destroyed, and that such account book or certificate has not been pledged or assigned either in whole or in part, then such association may issue a substitute account book or certificate in the name of such holder, with a statement therein that such account book or certificate is issued in lieu of the one lost or destroyed. The association shall not be liable thereafter with respect to the original account book or certificate; but the board of directors may require a bond in sufficient amount to indemnify the association against any loss which might result from the issuance of such substitute account book or certificate. (As amended by act approved July 23, 1965.)

Section 4-9. Who May Hold Capital and Membership.) Withdrawable capital accounts, permanent reserve shares, and membership in an association, may be held:

(a) By any individual in his own right, regardless of his age or marital status, or by two or more of such individuals;

(b) By a fiduciary, when authorized by law;

(c) By a government or governmental instrumentality when authorized by law;

(d) By any corporation or other person as defined in this act when not prohibited by law. (As amended by act approved July 11, 1957.)

Section 4-10. Joint Account; Trust Account; Payment on Death Account.)

(a) If two or more persons opening or holding a withdrawable capital account shall execute a

written agreement with the association or Federal association providing that the account shall be payable to any or the survivor of them, the account, and any balance thereof which exists from time to time, shall be held by them as joint owners with right of survivorship and, unless otherwise agreed, any payment by the association or Federal association to any of such persons shall be a complete discharge of the association's or Federal association's obligation as to the amount so paid. A pledge of such account by any holder or holders including minors authorized to withdraw amounts from such accounts shall, unless otherwise specifically agreed, be a valid pledge and transfer of the account and shall not operate to sever or terminate the joint and survivorship ownership of all or any part of the account.

(b) If one or more persons opening or holding a withdrawable capital account shall execute a written agreement with the association or Federal association providing that the account shall be held in the name of such person or persons as trustees for one or more persons designated as beneficiaries, the account and any balance thereof which exists from time to time, shall be held as a trust account and unless otherwise agreed between the trustees and the association or Federal association:

(1) Any such trustee during his lifetime may change any of the designated beneficiaries by a written direction accepted by the association or Federal association; and

(2) Any such trustee may withdraw or receive payment in cash or check payable to his personal order and any payment or withdrawal shall constitute a revocation of the agreement as to the amount withdrawn; and

(3) Upon the death of the last surviving trustee the person or persons designated as beneficiaries who are living at the death of the last surviving trustee shall be the holders of the account (as joint owners with right of survivorship if more than one) and any payment to the holder or any of such holders shall be a complete discharge of the association's or Federal association's obligation as to the amount so paid.

(c) If a person opening or holding a withdrawable capital account shall execute a written agreement with the association or Federal association providing that on the death of the person named as holder, the account shall be paid to or held by another person or persons, the account, and any balance thereof which exists from time to time, shall be held as a payment on death account and unless otherwise agreed between the persons opening the account and the association or Federal association:

(1) Upon the death of the holder of the account, the person or persons designated by him and who have survived him shall be the owners of the account (as joint owners with right of survivorship if more than one) and any payment made by the association or Federal association to any of such persons shall be a complete discharge of the association's or Federal association's obligation as to the amount paid; and

(2) The person to whom such account is issued may change during his lifetime the designation of any of the persons who are to be holders at his death, by a written direction accepted by the association or Federal association; and

(3) The person to whom such account is issued may withdraw or receive payment and any payment made by the association or Federal association shall be a complete discharge as to the amount paid.

(d) Whenever in any of the above situations, none of the beneficiaries of a trust account and none of the persons designated to hold on death in a payment on death account, survive the last trustee or person to whom the payment on death account is issued, the account, and any balance thereof which exists from time to time, shall be held by the trustee or holder of the account in his own right, unless it is otherwise agreed.

(e) No addition to any account, nor withdrawal, payment, revocation, or change of beneficiary or payee shall affect the nature of the account as a joint account with right to survivorship, trust account, or payment on death account.

(f) Any association or Federal association may continue to recognize the authority of an attorney authorized in writing to manage or to make withdrawals either in whole or in part from the withdrawable capital account of a member until it receives written notice or actual notice of the death or adjudication of incompetency of such member or revocation of the authority of such attorney. Any payment by the association or Federal association to an attorney prior to receipt of such notice shall be a complete discharge of the association's or Federal association's obligation as to the amount so paid. (As amended by act approved August 14, 1961.)

Section 4-11. Effect of Payment to Minor or Fiduciary.) Unless the written agreement provides otherwise, or unless the association or Federal association has had written notice of the terms under which a fiduciary holds a withdrawable capital account, the association or Federal association may make loans on the security of withdrawable capital accounts or pay the value thereof and dividends thereon:

(a) To any minor who is a holder of such withdrawable capital account;

(b) To such fiduciary who is the holder of such account without becoming liable to any beneficiary for such payment.

In each of the foregoing instances the receipt or acquittance of the person or persons to whom payment is made in accordance with the provisions of this section shall be a complete discharge of the association's or Federal association's obligation as to the amount so paid. In the case of a minor, the receipt, acquittance, pledge or other action required by the association to be taken by the minor shall be binding upon such minor with like effect as if he were of full age and legal capacity. (As amended by act approved August 14, 1961.)

Section 4-12. Payment on Incompetency or Death of Holder in His Own Right of Withdrawable Capital.)

(a) If the holder in his own right of a withdrawable capital account becomes incompetent and adjudication thereof has been made by a court of competent jurisdiction, then the association may pay the value of such withdrawable account and dividends thereon:

(1) To the conservator of such holder in his own right upon his appointment and qualification;

(2) In the case of small estates as defined in the Probate Act where the appointment of a conservator is unnecessary, then to the persons entitled thereto in accordance with the provisions of the Probate Act.

Until the association has actual knowledge that such holder has been adjudicated incompetent, it may pay to him personally and his receipt or acquittance therefor shall be a complete discharge of the association as to the amount so paid.

(b) Upon the death of a holder in his own right of a withdrawable capital account the association upon receipt of proper inheritance tax waivers may pay the value thereof and dividends thereon:

(1) To the personal representative of such deceased holder if and when qualified, in the manner provided in this Act for the voluntary withdrawal of accounts generally.

(2) In the case of small estates as defined in the Probate Act where no personal representative is appointed, then to the persons entitled thereto in accordance with the provisions of the Probate Act.

(3) After one year from the date of decedent's death, where no personal representative has been appointed and no action has been taken to obtain payment as in the case of small estates under the Probate Act, the association in its discretion may make payment to the surviving spouse or next of kin of the holder or other persons entitled thereto as in the case of small estates as provided in the Probate Act; and the association shall not become liable to any personal representative of the decedent thereafter appointed, but the directors may require a bond to indemnify the association against loss by reason of such payment.

Section 4-13. Voluntary Withdrawal of Capital Accounts.)

(a) A holder of withdrawable capital may make application for withdrawal of, and the association may pay, all or any part of the withdrawal value thereof at any time. However an association may enter into a contract pursuant to the laws of the United States or this State as they now are or as they may be amended or supplemented and such contract may in reference to said law provide among other things that no withdrawal may be made except as provided by such law specifically referred to in the contract or the certificate of withdrawable capital.

(b) If the association has insufficient funds in the treasury and from current receipts to pay all matured accounts and applications for withdrawal, within 30 days after such accounts mature or payment is requested, then the board of directors shall provide by resolution:

(1) The amount of money available in each calendar month to pay maturities and withdrawals, in accordance with safe and required operating procedure; but after making provision for expenses, debts, obligations, and cash dividends on capital accounts, due or to become due, not less than 50% of the remainder of such treasury funds and current receipts shall be made available for the payment of withdrawals and maturities;

(2) For a list of matured capital accounts in order of maturity, and if in the same series, in order of issuance in such series; and also of applications for withdrawals in chronological order of filing. Separate lists may be established for such purposes, in which event the resolution shall provide the proportion of available money which shall be applied to each list;

(3) For a maximum sum, which shall not exceed \$1,000, which may be paid to any one holder at any one time; and if any holder's application for withdrawal or for payment of matured shares exceeds the sum so fixed, then he shall be paid in his turn the sum so fixed, and his application, reduced by such payment, shall be deemed refiled in its order as if filed on the date of such payment. Such limited payment may be made on a fixed date in each month and such refiling and renumbering, as the case may be, may take place on the same date in each subsequent month as long as any applications remain unpaid;

(4) For a maximum sum, which shall not exceed \$200, which may be paid on any application for withdrawal or to any one holder of matured shares in any calendar month, regardless of the order of application.

(c) Withdrawable capital pledged as sole security for a loan shall be subject to the withdrawal provisions of this section, but amounts available for payment on the application for withdrawal shall be applied first to the repayment of the loan balance.

(d) Withdrawable capital may be accepted by the association in payment or part payment for any real estate or other assets owned by the association; but if the association has a list of withdrawals or withdrawals and maturities, such sale of assets shall be to the highest bidder, and at least 10 days notice of the proposed sale shall be given by mail to all holders of withdrawable or matured capital whose names appear on the withdrawal or maturity list.

(e) No holder shall have more than one application for withdrawal in effect at any one time; but a holder may cancel his application or reduce the amount thereof at any time as to any amount not yet paid.

(f) The holder of withdrawable capital for which application for withdrawal has been made,

does not become a creditor by reason of such application.

(g) The board of directors of any association operating on the serial plan or with regular installment or prepaid shares on which dividends have not been credited directly to the share accounts, may determine by resolution the portion of profits which may be paid to withdrawing members.

(h) Any such resolution passed pursuant to this section shall be submitted to the Commissioner for his approval and if the Commissioner finds that the resolution is fair to all parties affected by it, he shall approve the resolution. He shall issue his findings within 10 days after receipt of the resolution. (As amended by act approved September 19, 1969.)

Section 4-14. Maturity of Shares.)

(a) When a regular installment or prepaid share reaches maturity value by reason of payments or dividend credits, or both, all payments thereon by the holder shall cease. The association either shall pay to the holder the maturity value of such share, in accordance with the provisions of this Article, or shall mail a notice to the holder at his last known address as it appears on the association's records, to the effect that he is entitled to receive payment for such share or to transfer the same or such portion thereof as the directors may specify, into other withdrawable capital, and that if he takes neither action within sixty (60) days after the date on which such notice is mailed, the value of such share may be held in a creditor account without interest or dividends, available for the holder upon his application, or the board of directors may transfer such share to another withdrawable account of equivalent value on which dividends shall accrue as on a new account opened on the transfer date.

(b) If the association has insufficient funds to make immediate payment upon the date of maturity of any shares, such shares shall be listed in the order of their respective dates of maturity, and shall be paid in the manner provided in the section of this article concerning Voluntary Withdrawal of Capital Accounts. Shares in the same series maturing on the same date shall be listed, as of such date, in the order in which they were issued in that series. From the date of maturity until payment, dividends shall be apportioned to such matured shares at a rate to be determined by resolution of the board of directors. Dividends so apportioned shall be accumulated to the credit of such shares and shall be paid to the holder at the time when the shares are paid. However, the rate of such dividends shall not exceed the highest rate being currently apportioned to any other shares.

Section 4-15. Enforced Retirement of Withdrawable Capital Accounts.)

(a) The board of directors, when authorized by the by-laws, and in conformity with the provisions of this Section and of the by-laws, may retire any withdrawable capital accounts which have not been pledged as security for loans by enforcing the retirement thereof.

(b) A thirty (30) day notice of such enforced retirement shall be given to the holder of an account to be retired, and after the end of such thirty (30) day period, the holder shall not be entitled to further dividends, but shall be paid the full withdrawal value of his account as determined at the last preceding apportionment of profits, plus all payments made since such apportionment, and plus such additional dividends as the board of directors may determine to be equitable and within the earning rate of the association for the period which has elapsed since the last preceding apportionment of profits, but less any unpaid charges. However, all accounts upon which applications for voluntary withdrawal have been received, and all shares which have matured, shall be paid first in accordance with the provisions of this article.

Section 4-16. Authorized Charges Applicable to Members.)

(a) An association may charge an initial membership fee and a fee for transfer of membership or capital, but no such fee shall exceed twenty-five cents (25¢) per share or per one hundred dollars (\$100) of the account.

(b) The association's by-laws may provide for a charge or penalty for the nonpayment when due, of agreed payments on capital accounts, and of installments, interest, or premiums on loans; but no such charge or penalty shall exceed the sum of two cents (2¢) per dollar of the amount payable in any one month, and no such charge or penalty shall be either compounded or cumulated. However, if a loan has been predicated on a membership entitling the borrowing member to a vote of one share, no such charge or penalty shall exceed the sum of five cents (5¢) per month per dollar of the amount payable, or in lieu thereof such further interest charge as may be provided in the loan contract.

(c) An association may make such charges or receive reimbursement for any expenses, other than ordinary business expenses, incurred by it or as provided by any contract.

(d) All fees, charges, and penalties collected shall be accounted for as a part of the receipts of the association. (As amended by act approved September 19, 1969.)

Section 4-17. Capital Accounts Subject to Liens.) Every withdrawable capital account shall be subject to a lien for the payment of such charges as lawfully may accrue thereon under the provisions of this Act, and the by-laws may prescribe the manner of enforcing such lien; but no member shall be responsible for any losses which the then existing assets of the association shall not be sufficient to satisfy, or for any unpaid installment upon his account which is not yet due under the terms of his subscription.

Section 4-18. Apportionment of Profits.) The board of directors shall apportion the profits of the association, at least annually and as much more often as the by-laws may prescribe; and each apportionment shall be made in accordance with the following procedure:

(a) A proper allocation first shall be made to the contingent reserve and to any other reserve required by the section of this Article concerning Reserves.

(b) Additional allocations then may be made to such special reserves as the board of directors may have established in accordance with the section of this Article concerning Reserves.

(c) Dividends then may be declared, first on withdrawable shares and share accounts and thereafter on permanent reserve shares, in accordance with the provisions of this Act and the by-laws.

(d) The residue of such profits may be held as "undivided profits", subject to use in the same manner as profits generally; but except upon prior approval by the Commissioner the total amount of "undivided profits" at no time shall exceed 5% of the aggregate withdrawal value of the association's withdrawable capital. (As amended by act approved July 23, 1965.)

Section 4-19. Reserves.)

(a) Each association shall have a contingent reserve to which the board of directors shall allocate such portion of the association's profits as the board may determine; except that whenever the total amount of such reserve together with special reserves for losses and the insurance reserve of an insured association is less than 7½% of the aggregate withdrawal value of the association's withdrawable capital accounts, the allocation to such contingent, special reserve or the insurance reserve of an insured association upon each apportionment of profits shall total not less than 10% of the profits being apportioned, or such lesser portion as will increase the aggregate of such reserves to the required total amount. In lieu of the requirements specifically set forth in the preceding sentence, an insured association may make such allocations to the reserves as may from time to time be required by the Insurance Corporation. (As amended by act approved July 16, 1963.)

(b) The board of directors may establish and maintain such special reserves as they may deem advisable, to provide for losses or liabilities; the contingent reserve, or any of such special reserves, may be designated as the insurance reserve for an insured association, or transfers from such reserves in whole or in part may be made to the insurance reserve; and losses may be charged to such reserves as the board of directors may determine.

(c) In addition to the foregoing reserves, an association operating under a bonus plan, as authorized by the section of this Act concerning Bonus Plans, shall establish and maintain a bonus reserve in such an amount as will be sufficient to satisfy the obligations of such plan; and any excess amount in said reserve may be transferred from time to time to undivided profits. (As amended by act approved August 14, 1961.)

Section 4-20. Dividends.)

(a) Subject to the restrictions set forth in this section and the association's by-laws, the board

of directors from time to time may determine the rate and amount of dividends to be paid on capital, and for that purpose may establish reasonable classifications of withdrawable capital accounts, based on (1) types or classes of such accounts, or (2) the length of time accounts are continued in effect, or (3) size of initial payments on accounts, or (4) minimum balances of accounts during apportionment periods, or (5) frequency and extent of the activity of accounts, or (6) such other classifications as the Commissioner may approve; and the Commissioner is authorized to prepare model plans of classifications for adoption by associations.

(b) However, the declaration of dividends on capital shall be subject to the following restrictions:

(1) No dividends shall be declared when the total amount of the contingent reserve is less than that required by the section of this Act concerning Reserves, unless the allocation provided by said section has been made.

(2) Regardless of any dividend rate to which any class of withdrawable share account is entitled, by limitation as expressed in the appropriate certificate or account book, or by action of the board prior to the date of the dividend declaration, no dividend shall be declared on such class which exceeds the dividend rate currently declared on withdrawable share accounts which are unlimited as to participation in dividends.

(3) The rate of dividend allocated to withdrawable share accounts which according to their terms are unlimited as to participation in dividends, shall not exceed by more than 1% the rate of dividends allocated to the class of share accounts which is entitled to the highest limited rate of participation, unless the total withdrawal value of such unlimited accounts is more than 20% of the aggregate withdrawal value of all withdrawable capital of the association, or unless the association has discontinued the issuance of unlimited accounts, or unless unlimited accounts are being offered and made available for issuance without discrimination.

(4) No dividends shall be declared on permanent reserve shares until after payment or provision has been made for all expenses, losses, required reserves, and dividends on withdrawable capital; or at a time when the par value of all the permanent reserve shares outstanding, all undivided profits, and all reserves available for losses, total less than 5% of the aggregate withdrawal value of the association's withdrawable capital, or when the payment of such a dividend would reduce such total amount to less than such 5%. However, a stock dividend may be declared out of undivided profits at any time.

(c) A dividend need not be allocated to any share account, other than a regular installment share account, which has a withdrawal value of less than \$10 on the record date with respect to which the dividend is paid; and no allocation need be made to a share account which by written agreement will be closed within 15 months of the date on which such account is opened.

(d) The board of directors shall determine by resolution the method of calculating the amount of any dividend on withdrawable capital, and the date on which the same is to be declared or credited; but no payment or credit shall be made more than 10 days before the end of any apportionment period. (As amended by act approved July 23, 1965.)

Section 4-21. Bonus Plans.) For the purpose of encouraging thrift, systematic savings, and long term investment, the board of directors may establish by resolution bonus plans for holders of withdrawable capital accounts; and the board then shall transfer from the periodical profits of the association additional amounts to a bonus reserve as provided in the section of this Article concerning Reserves, from which reserve payments to holders complying with such plans shall be paid. Every bonus so paid shall be deemed a premium and shall not be construed as a dividend. The bonus plans shall be in accordance with the following provisions:

(a) The holder shall agree to make regular payments at least monthly, of any predetermined amount, until the payments together with dividends apportioned thereto equal two hundred (200) times the agreed monthly payment and without a delay of more than sixty (60) days in any payment, without a prepayment of more than twelve (12) months and without making application for withdrawal of all or any part of the account. At the end of the bonus period, the holder shall receive, in addition to the regular monthly payments and dividends apportioned thereto, a bonus at the rate of one per cent (1%) per annum computed on the withdrawal value of the account at each apportionment of profits. However, if the holder shall apply for withdrawal of his account in part or in full or shall fail to meet any and all the other terms of his bonus agreement after such account, including dividends apportioned thereto, has reached:

(1) At least fifty (50) but less than one hundred (100) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive one-fourth ($\frac{1}{4}$) of the bonus allocable to such account;

(2) At least one hundred (100) but less than one hundred fifty (150) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive one-half ($\frac{1}{2}$) of such bonus allocable to such account;

(3) At least one hundred fifty (150) but less than two hundred (200) times the agreed monthly payment upon his account in accordance with the terms thereof, such holder shall be entitled to receive three-fourths ($\frac{3}{4}$) of such bonus allocable to such account.

(b) The holder shall subscribe to a long-term investment plan providing that if he maintains in his account an agreed balance (1) if for a period of four (4) years, he shall be paid a bonus of an agreed rate not to exceed one-half of one per cent per annum, or (2) if for a period of eight (8) years, he shall be paid a bonus of an agreed rate not to

exceed one per cent per annum. The plan may state the minimum and maximum balances on which a bonus may be paid.

(c) If the association effects an enforced retirement of an account which is under a bonus plan before the bonus becomes payable according to the plan, the portion of the bonus reserve allocable to the account shall be paid to the holder.

(d) **Other Bonus Plan.** Any bonus plan other than those provided for by paragraph (b) of this Section may be established for the purpose of encouraging thrift, systematic savings or long-term investment upon approval by the Commissioner by general regulation, except that any such other bonus plan so approved shall not allow a bonus in excess of that allowed for Federal associations. (As amended by act approved July 23, 1965.)

ARTICLE 5—Investments.

Section 5-1. Investment in Obligations of Members.) An association may loan funds to members as follows:

(a) On the security of withdrawable capital accounts, but no such loan shall exceed the withdrawal value of the pledged account;

(b) On the security of real estate:

(1) Of a value, determined in accordance with the section of this Act concerning Appraisals, sufficient to provide good and ample security for the loan; and

(2) With a fee simple title which is unencumbered except as permitted in the section of this Article concerning Real Estate Encumbrances; or

(3) A leasehold title of not less duration than 10 years beyond the maturity of the loan; and

(4) With the title established by such evidence of title as is consistent with sound lending practices in the locality; and

(5) With the security interest in such real estate evidenced by an appropriate written instrument and the loan evidenced by a note, bond or similar written instrument. A loan on the security of the whole of the beneficial interest in a land trust shall be deemed to satisfy the requirements of this paragraph if the title to the land is held by a corporate trustee and if the real estate held in the land trust meets the other requirements of this subsection.

(c) For the purpose of repair, improvement, rehabilitation, furnishing or equipment of real estate. However, any such loans which are not secured, guaranteed, or insured, as provided in this section, (1) shall be limited to \$7,500 each, exclusive of legal and financing charges; (2) shall be repayable over a period of 8 years or less, in substantially equal installments not less frequent than semi-annual; and (3) shall not be made if the resulting aggregate unpaid balances of all of such loans would exceed 20% of the association's total assets;

(d) Through the purchase of loans which at

the time of purchase the association could make in accordance with the provisions of this Section and by-laws;

(e) Through the purchase of installment contracts for the sale of real estate, and title thereto which is subject to such contracts, but in each instance only if the association at the time of purchase could make a mortgage loan of the same amount and for the same length of time on the security of such real estate;

(f) Through loans guaranteed or insured, wholly or in part by the United States or any of its instrumentalities, and without regard to the limits in amount and terms otherwise imposed by this Article;

(g) On the security of any authorized investments;

(h) For the purpose of mobile home financing subject, however, to the regulation of the Commissioner. (As amended by act approved September 19, 1969.)

Section 5-2. Other Investments.) If the board of directors determines at any time that funds are available in excess of the demands and needs of members for loans, maturities and withdrawals, an association may invest such funds as specified in Section 5-2.1 to 5-2.10, inclusive. (As amended by act approved August 14, 1961.)

Section 5-2.1. Subject to Section 5-2, an association may invest in withdrawable capital of any state or Federal association which is a member of an insurance corporation as defined in this Act. (As amended by act approved August 14, 1961.)

Section 5-2.2. Subject to Section 5-2, an association may invest in participating interests in mortgage loans of a type which the association would be authorized to make, if the other participants are associations or corporations insured by an instrumentality of the United States, or are instrumentalities of or corporations owned wholly or in part by the United States or this State. (As amended by act approved August 14, 1961.)

Section 5-2.3. Subject to Section 5-2, an association may invest in obligations of or fully guaranteed by the United States; in stocks or obligations of Federal Home Loan Banks; in stocks or obligations of the Federal National Mortgage Association. (As amended by act approved August 14, 1961.)

Section 5-2.4. Subject to Section 5-2, an association may invest in bonds or other direct obligations of or guaranteed as to principal and interest by this State. (As amended by act approved August 14, 1961.)

Section 5-2.5. Subject to Section 5-2, an association may invest in obligations which by the laws of this State are made legal investments for savings and loan associations. (As amended by act approved August 14, 1961.)

Section 5-2.6. Subject to Section 5-2, an association may invest in bonds or other evidences of indebt-

edness which are direct general obligations of any county, city, town, village, school district, sanitary district, park district, or other political subdivision or municipal corporation of this State, or in bonds or other evidences of indebtedness which are payable from revenues or earnings specifically pledged therefor of the county or an adjoining county or a political subdivision or municipal corporation of the county in which the business office of the association is located or an adjoining county, but in no event shall the total amount of such securities of any one maker or obligor exceed 2% of the association's total assets nor shall the aggregate amount of investments under this Section exceed 15% of such total assets. (As amended by act approved August 14, 1961.)

Section 5-2.7. With the approval of the Commissioner and subject to Section 5-2, an association may invest in the initial purchase and development, or the purchase or commitment to purchase after completion, of home sites and housing for sale or rental, including (without being limited to) projects for the reconstruction, rehabilitation, or rebuilding of residential properties to meet the minimum standards of health and occupancy prescribed by appropriate local authorities, and the provision of accommodations for retail stores, shops, and other community services which are reasonably incident to such housing projects; or in the shares of a corporation which owns one or more of such projects and which is wholly owned by one or more financial institutions whose investments are regulated by the laws of this State or of the United States. The association's aggregate investment under this Section shall not exceed 10% of its total assets, and no association shall make an investment of this type unless it has reserves and undivided profits, or permanent reserve capital, totaling at least 5% of the aggregate withdrawal value of the association's withdrawable capital. The Commissioner shall approve the investment only if the association shows:

(1) That the association has adequate assets available for such an investment; and

(2) That the proposed investment does not exceed the reasonable normal value of the property or interest therein; and

(3) That unless the proposed project meets the requirements of paragraph (4) of this Section, the proposed project does not include the construction of dwellings designed for occupancy by 4 families or less; except that in the event the home sites or any portion of a project are not sold within a reasonable time after same have been made available for sale (such period of time to be determined upon application to the Commissioner) such project or portion thereof may be further developed as hereinabove provided; and

(4) That the proposed project is to be located in an area, including any contiguous area acquired incidental thereto, determined by the Commissioner to be an urban renewal, redevelopment, blighted, conservation area, or any other similar area provided for by the laws of the United States, the

State of Illinois or local ordinances for slum clearance, conservation, blighted area redevelopment, urban renewal, or of a similar nature or purpose and in the event of such determination by the Commissioner, the provisions of paragraph (3) of this Section shall not be applicable; and

(5) That all other requirements of this Section have been met.

Nothing herein contained shall prohibit an association from developing or building on land acquired by it under any other provision of this Act, nor shall an association be prohibited from completing the construction of buildings pursuant to any construction loan contract where the borrower has failed to comply with the terms of such contract; nor shall any amendment to this Section have a retroactive effect upon any project initiated prior to July 23, 1959, as evidenced by any contract, option, or application to the Commissioner in accordance with the terms of this Section prior to July 23, 1959, nor to any revision or change in the terms of such application requested by the Commissioner prior to his approval. (As amended by act approved July 23, 1965.)

Section 5-2.8. Subject to Section 5-2, an association may invest in marketable investment securities, but in no event shall the total amount of such securities of any one maker or obligor exceed 2% of the association's total assets, nor shall the aggregate amount of investments under this Section exceed 15% of such total assets. As used in this Section, the term "marketable investment securities" does not include stocks, but means marketable obligations evidencing indebtedness of any person in the form of bonds, notes, or debentures commonly known as investment securities, and of a type customarily sold on recognized exchanges or traded over the counter. (As amended by act approved August 14, 1961.)

Section 5-2.9. Subject to Section 5-2, an association may invest in stocks or obligations of business development corporations chartered by this State or by the United States or an agency thereof, but in no event shall the aggregate amount of stock exceed $\frac{1}{2}\%$ of the aggregate withdrawal value of the association's withdrawable capital or \$250,000 whichever is less. (As amended by act approved August 14, 1961.)

Section 5-2.10. Subject to Section 5-2, an association may invest in obligations of urban renewal investment corporations chartered under the laws of this State, or the United States, or in certificates of beneficial interest of urban renewal investment trusts, but in no event shall the aggregate amount of such stock, obligations or beneficial interest certificates of any one maker exceed 2% of the association's total assets, nor shall the aggregate amount of investments under this Section exceed 5% of such total assets. (As amended by act approved August 14, 1961.)

Section 5-2.11. Subject to Section 5-2, an association may invest its funds in loans secured by collateral deemed sufficient by the board of directors

of said association to properly secure such loans; however, if the collateral is stock or equity securities of any kind the stock or securities must be listed on a national exchange or actively traded and quoted on an over the counter market. (As amended by act approved September 19, 1969.)

Section 5-2.12. Subject to Section 5-2, an association may make loans to its members secured by the cash surrender value of any life insurance policy. (As amended by act approved September 19, 1969.)

Section 5-2.13. Any provision of this Act to the contrary notwithstanding, any association may make any loan to its members or investment which such association could make if it were incorporated and operating as a mutual thrift or mutual savings institution organized under the laws of the United States. (As amended by act approved September 19, 1969.)

Section 5-2.14. An association may make any loan to any member secured by any collateral which would be a legal investment if made by such association pursuant to the terms of this Act. (As amended by act approved September 19, 1969.)

Section 5-3. Real Estate Encumbrances.)

(a) Real estate is encumbered within the meaning of this Article unless the security instrument establishes a first lien upon such real estate.

(b) Real estate is not encumbered within such meaning merely by reason of the existence of (1) instruments reserving rights-of-way, sewer rights, or rights in wells; or (2) building restrictions or other restrictive covenants; or (3) a lease under which rents or profits are reserved by the owners; or (4) current taxes or assessments not yet payable; or (5) other encumbrances which, in accordance with sound lending practices in the locality, are not regarded as constituting defects in real estate titles.

(c) A loan may be made under this Article on real estate which is subject to a prior lien or other encumbrance which is owned by or exists in favor of the association; or to a prior lien the full amount of which is deducted from the amount of the loan and retained by the association to pay such lien, or which is fully provided for in the closing of the loan transaction.

Section 5-4. Lending Plans.) The board of directors may specify the terms on which loans to members will be made, including (but not limited to) the following lending plans:

(a) **Direct Reduction of Principal:** Such plan shall provide for regular payments which will completely amortize the indebtedness, including principal, interest, or interest and premium, advances, and other charges authorized by this Act, with payments to be made in such amount or amounts and at such time or times as may be agreed upon. If the loan is to be repaid on the monthly direct reduction of principal plan, the balance shall be determined monthly, and interest or interest and premium may be charged on the preceding monthly balance at one-twelfth of the annual rate, and added to such

balance, together with any advances made by the association; and from such total indebtedness, payments made by the borrower shall be deducted, and such payments shall be applied first to interest or interest and premium. If the loan is being repaid on a direct reduction plan with payments made less often than monthly, but at least annually, interest or interest and premium shall be charged at one-twelfth of the annual rate multiplied by the number of the months elapsed since the date of the last payment; and interest or interest and premium on an advance made may be charged from the first day of the month during which the advance was made; or if the advance was made after the fifteenth day of the month, interest or interest and premium may be charged as of the first day of the succeeding month; but such interest or interest and premium shall not be compounded.

(b) Share Accumulation Plan: Such plan shall provide for the subscription to shares the matured value of which in even shares shall be not less than the amount of the loan. Interest shall be charged on such loan until the accumulation on the shares, consisting of payments and dividends less charges, if any, authorized by this Act, shall equal the amount loaned, whereupon the shares shall be cancelled against the loan balance, and the loan shall be considered repaid. The plan may provide further for repayment through the application of shares, or cash and shares, as the board of directors may determine.

(c) Gross Charge and Discount Plan: Property improvement loans and loans the duration of which is 8 years or less, and the amount of each of which does not exceed \$7,500, exclusive of legal and financing charges, may be repaid under a gross charge or discount method, but in the event of repayment in full prior to maturity, the association shall make a rebate at a rate not less than 6% per annum of the amounts so paid in advance of their due dates if the financing charge applicable to the loan is in an amount equivalent to \$5.00 discount per \$100 original face amount of a one-year note, and if a greater or lesser charge has been taken, the rebate shall be at not less than a proportional rate.

(d) Insured or Guaranteed Loans: Loans insured or guaranteed wholly or in part by the United States or any instrumentality thereof may be made and repaid in accordance with the applicable Federal law and regulations.

(e) Straight Mortgage Loans: Loans of a type which may be made on an installment basis, also may be made and repaid without full amortization; but no such loan shall be made for a term exceeding 5 years, or in an amount exceeding 50% of the appraised value of the security, except that a loan may be made in an amount not exceeding 60% of such value if the term is not more than 3 years, or in an amount not exceeding 80% of such value if the term is not more than 24 months. Interest on such loans shall be payable not less often than semiannually. No association shall make such straight mortgage loans if the resulting aggregate

unpaid balances of all of such loans would exceed 15% of the association's total assets. (As amended by act approved September 19, 1969.)

Section 5-5. General Loan Contract Provisions.)

(a) Each loan, and any agreement for securing the same, shall be evidenced by one or more written instruments, consistent with sound lending practices in the locality; and whenever recording of such an agreement is necessary to establish priority over the claim of any third party, the agreement shall be recorded.

(b) The loan contract terms shall afford full protection to the association, and shall include, among other things, provision for:

(1) The payment of taxes, assessments, other governmental levies, maintenance and repairs, granting the association the right to make payments thereon or for any other item which, if unpaid, would create a lien prior to that of the loan contract;

(2) Adequate insurance to cover the usual risks on the property offered as security for the loan, and in such form, coverage, and amount and in such company or companies as the board of directors may approve;

(3) Except for loans secured by real estate having more than four residential units, the right to prepay the loan in whole or in part at any time, but the association may require payments of not more than 6 months' advance interest on that part of the aggregate amount of all prepayments on a loan in one year, which exceeds 20% of the original principal amount of the loan.

(c) The loan contract may provide for:

(1) An assignment of rents;

(2) Life insurance to be assigned as additional collateral, in which event the association shall obtain a first lien upon the policy;

(3) A single premium to be paid in advance or deducted from the loan balance, but if the loan is written on the direct reduction of principal plan to amortize the indebtedness in more than 4 years and the premium exceeds 4% and the loan is repaid prior to the expiration of 4 years from the date of its making, the association shall refund one-fourth of the premium in excess of said 4% for each year of the said 4 years then unexpired;

(4) Additional or future advances to be made at the option of the parties up to a total amount stated in the recorded security instrument;

(5) Regular periodical payments together with a lump sum payment required to create a fund in the association to pay when due all taxes as of January 1 of each year when such taxes become a lien against the real estate security, assessments, insurance premiums, ground rents, and other current charges against the real estate security, and the application or crediting of such payments;

(6) Any other covenant or agreement which the association may deem necessary or which is customary in the locality.

(d) If any payment required to be made by

the borrower to discharge the performance of any obligation under the loan contract, is not made, or if any fund created for such payment is insufficient to discharge the obligation completely, the association may advance the same and add the required amount to the unpaid balance of the loan as of the first day of the month during which such advance was made and the advance and interest thereon shall be secured by the security instrument.

(e) The first payment on any regular installment loan other than a construction loan, insured loan, loan with semiannual or annual payments, or guaranteed loan, shall begin not later than 60 days after the final disbursement of the loan. The first payment on a loan insured or guaranteed shall be upon terms acceptable to the insuring or guaranteeing agency. The first payment on a construction loan shall be not later than 24 months after the date of the first disbursement. The first payment on a loan with semiannual payments shall begin not later than 6 months after the final disbursement of the loan. The first payment on a loan with annual payments shall begin not later than 1 year after the final disbursement of the loan. (As amended by act approved September 19, 1969.)

Section 5-6. Extension and Modification Agreements.)

(a) When the balance of a loan being repaid under the direct reduction of principal plan does not exceed forty per cent (40%) of the value of the security therefor, and the loan has been reduced by periodical payments over a period of not less than three (3) years to the extent that the unpaid balance does not exceed fifty per cent (50%) of the amount originally secured, the board of directors may agree in writing with the borrower that for a period not to exceed three (3) years, no payments need be made on the unpaid principal amount of the loan; and the loan contract and the security instrument shall not be prejudiced by the making of such extension agreement, even if such an extension was not provided for in the loan contract. However, interest or interest and premium, taxes, assessments, insurance premiums, and other charges which the borrowing member is obligated to pay, shall be paid when due either to or for the benefit of the association. No such extension shall be granted at a time when the association has insufficient funds to pay all withdrawable capital accounts which have matured or have been listed for voluntary withdrawal.

(b) The association at any time may enter into a written agreement with the borrower to modify, in any manner not inconsistent with the provisions of this Act, the terms of a loan as to the amount, time, or method, of the payments to be made, the interest rate, and any other provision of the loan contract; and the loan contract and the security instrument shall not be prejudiced by the making of any such modification, even if such a modification was not provided for in the loan contract.

Section 5-7. Sale, Assignment and Servicing of Loans and Contracts.)

(a) No association shall engage in the mortgage brokerage business; but any association may sell any loan or a participating interest in a loan at any time, in the usual and regular course of business, if the total amount of loans so sold by the association, including such sale, within the calendar year beginning January 1 immediately preceding the date of such sale, does not exceed 20% of the total amount of all loans held by the association at the beginning of such calendar year. All loans sold shall be sold without recourse. The Commissioner may adjust the foregoing limitations upon the sale of loans, upon application showing an emergency need to pay withdrawals, or an emergency need for loans in the community or area of operation in which the association is located, such loans being in greater demand than the association currently is able to meet.

(b) An association may contract to service a loan or a participating interest in a loan originally made by the association and later sold, but such a contract shall conform to the pertinent regulations prescribed by the Commissioner, and shall require sufficient compensation to reimburse the association for all expenses incurred under such contract.

(c) An association may sell and assign without recourse any master's certificate of sale, defaulted loan, or defaulted real estate contract, to any person eligible to purchase the same, for an amount not less than the fair cash market value thereof. (As amended by act approved July 23, 1965.)

Section 5-8. Purchase of Real Estate at Forced Sale.) An association may purchase, at any sheriff's or other judicial sale, either public or private, any real estate upon which the association has any mortgage, lien, or other encumbrance, or in which the association has any other interest. The association thereafter may repair, improve, sell, convey, lease, mortgage, exchange, or otherwise dispose of, real estate so acquired, in the best interests of the association, without limitation.

Section 5-9. Purchase of Real Estate for Office and Rental Purposes.) An association may acquire and hold real estate in fee simple, or leaseholds on which a building or buildings exist or are to be erected, suitable for the transaction of the association's business, and from portions of which, not required for the association's own use, revenue may be derived; or may own all or part of the capital stock, shares, or interest in any corporation, association, or trust, engaged solely in holding all or part of such real estate. However, the amount so invested shall not exceed five per cent (5%) of the association's total assets, unless the Commissioner, upon a proper showing shall approve a larger amount consistent with the needs of the association's business and its immediate future expansion.

Unless prior written approval of the Commissioner is obtained, no association shall purchase, lease or otherwise acquire a site for an office building or interest in real estate from any officer, director or employee of the association or any firm, corporation, entity or family in which any officer, director or

employee of an association has any direct or indirect interest.

An acquisition prohibited by the above shall include the purchase, lease or acquisition of property in which any of the above described persons held any interest in for a period of ten years preceding the purchase, lease or acquisition, but shall not include the acquisition of an option for such a site or real estate where the option is assignable and exercised by the association in its own name and for its own benefit. (As amended by act approved September 19, 1969.)

Section 5-10. Usury Laws Inapplicable.) By reason of the cooperative nature of associations operating under this Act, no interest, premium, or interest on such interest or premium, or charge, which may accrue to an association under the provisions of this Act, shall be deemed to be usurious; and the same may be collected in the same manner as other debts in accordance with the laws of this State.

Section 5-11. Prohibited Loans.) No loan shall be made to a majority permanent reserve shareholder, officer, or director of an association either for himself or as agent, or as partner of another, except upon real estate occupied by such shareholder, officer, or director as a homestead, or upon the security of withdrawable capital; nor shall any loan be made by an association to any corporation of which a majority of the stock is owned or controlled individually or collectively by any one or more of the directors, officers, or majority permanent reserve shareholders of any association. (As amended by act approved September 19, 1969.)

Section 5-12. Effect of Unauthorized Investments; Liability of Officers.)

(a) Every loan or other investment made in violation of this Act shall be due and payable according to its terms, and the obligation thereof shall not be impaired.

(b) Every director or officer of an association who knowingly shall violate, participate in, or assent to, or who knowingly shall permit any of the officers or agents of the association to make, investments not authorized by this Act, shall be liable individually for all damage which the association or its members sustain in consequence of such violation.

(c) The Commissioner may require every director or officer of an association who knowingly shall violate, participate in, or assent to, or who knowingly shall permit any of the officers or agents of the association to make investments not authorized by this Act, to deposit with the association an indemnity bond, insurance, or collateral of a kind and amount sufficient to indemnify the association against damages which the association or its members may sustain in consequence of such violation. The amount considered sufficient to indemnify the association shall, in the case of an unauthorized investment, be the difference between the book value and the market value of the investment at the time the Commissioner makes his determination that such investment is unauthorized. The amount considered

sufficient to indemnify the association, in the case of an unauthorized loan shall be the difference between the book value of the loan and the amount that could have been made under the provisions of this Act. Whenever an unauthorized investment has been sold or disposed of without recourse, the Commissioner shall release all or such part of the indemnity after deducting any loss. Whenever the balance of an unauthorized loan has been reduced to an amount which would permit such loan to be made under the provisions of this Act, the indemnity shall be released; provided that the Commissioner in making such determination may require an independent appraisal of the security. (As amended by act approved July 23, 1965.)

Section 5-13. Appraisals.)

(a) Every appraisal or reappraisal of property which an association is required to make shall be made as follows:

(1) By an independent qualified appraiser designated by the board of directors; or

(2) By the association's appraisal committee appointed by the board of directors; or

(3) In the case of an insured or guaranteed loan, by any appraiser appointed by any lending, insuring, or guaranteeing agency of the United States or the State of Illinois, which shall insure or guarantee such loan, wholly or in part.

(b) Each appraisal shall be in writing with a certificate signed by the appraiser or appraisers, stating that he or they have personally examined the described property, setting forth the value of the land, and the nature and value of the improvements, if any; which appraisal shall be filed and preserved by the association.

Section 5-14. Acknowledgments.) No acknowledgment of a deed, mortgage, or other instrument shall be invalid because such acknowledgment was taken before an officer authorized by the laws of this State to acknowledge conveyances, who is also a member, director, employee, or officer of an association which is a party to such deed, mortgage, or other instrument.

Section 5-15. Commissioner's Regulations.) The Commissioner may from time to time promulgate such rules and regulations with respect to investments, loans or lending plans as may be reasonably necessary to assure that such loans are in keeping with sound lending practice and will promote the purposes of this Act. (As amended by act approved September 19, 1969.)

ARTICLE 6—Voluntary Corporate Changes.

Section 6-1. Amendment of Articles of Incorporation.) An association may amend its articles of incorporation from time to time, in accordance with the procedure prescribed in this Article; but the articles, as amended, shall conform to all legal requirements which pertain to original articles adopted at the time of such amendment. Any number of amend-

ments may be submitted to the members, and voted upon by them, at one meeting.

Section 6-2. Procedure to Amend Articles of Incorporation.) The procedure to effect an amendment of articles of incorporation shall be as follows:

(a) The board of directors shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of the members, which may be an annual or a special meeting.

(b) The proposed amendment, or a summary of the changes to be effective thereby, shall be set forth in the notice of meeting mailed as prescribed in the section of this Act concerning Members' Meetings.

(c) The proposed amendment will be adopted upon receiving, in the affirmative, two-thirds or more of the total number of votes which all members of the association are entitled to cast, except that an amendment effecting a retirement of all permanent reserve capital must receive the vote specified in the section of this Act concerning Retirement or Reduction of Permanent Reserve Capital. A report of proceedings, verified by the president or a vice-president and attested by the secretary and setting forth the notice given and time of making thereof, the amendment adopted, the vote thereon, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed promptly with the Commissioner.

(d) Each adopted amendment shall be subject to the same inquiry by the Commissioner as the corresponding provision in original articles of incorporation, including (but not limited to) the availability of a proposed new name of the association. If the Commissioner approves an amendment, he shall issue to the association a certificate setting forth the amendment and his approval thereof. The amendment shall become effective when such certificate is recorded in the same manner as the association's articles of incorporation.

(e) No amendment of articles of incorporation shall affect any existing cause of action either in favor of or against the association, or any pending action in which the association shall be a party, or the existing rights of persons other than members of the association; and if the amendment has changed the name of the association, no action brought by or against the association under its former name shall be abated for that reason. (As amended by act approved July 23, 1965.)

Section 6-3. Existing Association — Adoption of Articles and By-laws.) Any existing association the by-laws of which contain provisions enumerated in the section of this Act concerning Contents of Articles of Incorporation, at an annual or special meeting may amend its present charter, articles of incorporation, certificate of complete organization, or other instruments concerning organization, by adopting articles of incorporation containing the provisions enumerated in said Section. Such adoption shall repeal the existing by-laws of the association

without further action, and the board of directors shall adopt new by-laws in accordance with the provisions of this Act. The procedure to be followed in adopting or amending articles of incorporation shall be that prescribed in the preceding section.

Section 6-4. Merger — Adoption of Plans.) Any two or more associations operating under this Act or under Federal charter and located in this State may merge into one association operating under this Act. The board of directors of each merging association, by resolution adopted by a majority vote of all members of such board, must approve the plan of merger, which shall set forth:

(a) The name of each of the merging associations, and the name of the continuing association and the location of its business office;

(b) The amount of capital, reserves, and undivided profits of the continuing association, and the kinds of shares and other types of capital to be issued thereby;

(c) The articles of incorporation of the continuing association;

(d) A detailed pro forma financial statement of the assets and liabilities of the continuing association;

(e) The manner and basis of converting the capital of each merging association into capital of the continuing association;

(f) The other terms and conditions of the merger and the method of effectuating the same;

(g) Such other provisions with respect to the merger as appear necessary or desirable, or as the Commissioner may reasonably require to enable him to discharge his duties with respect to such merger. (As amended by act approved July 23, 1965.)

Section 6-5. Merger — Approval by Commissioner.)

(a) The plan of merger adopted as aforesaid shall be submitted to the Commissioner for approval, together with a certified copy of the authorizing resolution of each board of directors, showing approval by a majority of the entire board of each merging association operating under this Act and evidence of proper action by the board of any merging Federal association.

(b) The Commissioner may make or cause to be made an examination of the affairs of each of the merging associations.

(c) The Commissioner may approve the plan of merger; or, if the Commissioner disapproves the plan of merger, he shall state his objections in writing and give the merging associations an opportunity to amend the plan of merger to obviate such objections. (As amended by act approved September 19, 1969.)

Section 6-6. Merger — Approval by Members.) After approval by the Commissioner, the plan of merger shall be submitted to a vote of the members of each merging association. Each meeting of

the members of an association operating under this Act shall be called and held in accordance with the section of this Act concerning Members' Meetings. The plan will be approved by the members of an association if the plan receives, in the affirmative, $\frac{2}{3}$ or more of the total number of votes which all members of the association are entitled to cast. Each meeting of a Federal association shall be called and held, and the required majority must be obtained, in accordance with the applicable Federal law and regulations. (As amended by act approved July 23, 1965.)

Section 6-7. Merger—Commissioner's Certificate; Effective Date.)

(a) A report of proceedings at the meeting of the members of each association, certified by the president or a vice-president and attested by the secretary thereof, and setting forth the notice given and time of mailing thereof, the vote on the plan of merger, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed in duplicate with the Commissioner, together with the plan of merger, duly executed by each merging association. The Commissioner thereupon shall issue to the continuing association a certificate of merger, setting forth the name of each merging association and the name of the continuing association, and the articles of incorporation of the continuing association; and attaching thereto, as a part thereof, a copy of the report of proceedings filed as aforesaid by each merging association.

(b) The merger shall become effective upon the recording of the certificate of merger in the same manner as articles of incorporation, in each county in which the business office of any of the merging associations was located, and in the county in which the business office of the continuing association is located.

(c) When duly recorded as aforesaid, the certificate of merger shall be conclusive evidence, except against the State, of the merger and of the correctness and validity of all proceedings in connection with the merger. (As amended by act approved July 23, 1965.)

Section 6-8. Merger—Commissioner's Expenses.) The expenses of any examination made by or at the direction of the Commissioner in connection with a proposed merger shall be paid by the merging associations. (As amended by act approved July 23, 1965.)

Section 6-9. Effect of Merger.)

(a) The continuing association shall be considered the same business and corporate entity as each merging association, with all of the property, rights, powers, duties, and obligations of each merging association, except as otherwise provided by the articles of incorporation of the continuing association.

(b) All liabilities of each of the merging associations shall be liabilities of the continuing as-

sociation; and all of the rights, franchises, and interests of each of the merging associations in and to every kind of property, real, personal or mixed, shall vest automatically in the continuing association, without any deed or other transfer.

(c) Any reference to a merging association in any writing, whether executed or effective before or after the merger, shall be deemed a reference to the continuing association, if not inconsistent with the other provisions of such writing.

(d) No pending action or other judicial proceeding to which any merging association is a party shall be abated or discontinued by reason of the merger, but may be prosecuted to final judgment, order or decree in the same manner as if the merger had not occurred.

Section 6-10. Sale of All Assets.) An association, in one transaction not in the usual and regular course of its business, may sell all or substantially all of its assets, with or without its name and goodwill, to another association or to a Federal association, in consideration of money, capital, or obligations of the purchasing association.

Section 6-11. Procedure to Effect Sale of All Assets.) The procedure to effect a sale authorized by the foregoing section shall be as follows:

(a) The board of directors shall adopt a resolution setting forth the terms of the proposed sale and directing the submission thereof to a vote at a meeting of the members, which may be an annual or special meeting.

(b) The said terms shall be set forth in the notice of meeting mailed as prescribed in the section of this Act concerning Members' Meetings.

(c) The proposed sale will be approved by the members upon receiving in the affirmative, two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast. A proposal for the voluntary liquidation of the association shall be submitted to the members at the same meeting or at any adjournment thereof, or at any later meeting called for such purpose, in accordance with the article of this Act concerning Voluntary Liquidation. A report of proceedings, certified by the president or a vice-president and attested by the secretary, and setting forth the terms of the proposed sale, the notice given and time of mailing thereof, the vote on the proposal, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed with the Commissioner.

(d) If the Commissioner finds that the proposed sale is fair to all holders of capital, creditors and other persons concerned, and provision has been made for the disposition of the remaining assets, if any, of the association as provided in this Act for reorganization or voluntary liquidation, then he shall issue to the association a certificate of authorization for such sale, attaching thereto, as a part thereof, a copy of the report of proceedings filed as aforesaid.

(e) Upon recording said Commissioner's certificate in the same manner as the association's articles of incorporation, the association may complete

the sale so authorized: except that an insured association first shall obtain the approval of the Insurance Corporation.

(f) If the sale includes the name of the association, the purchasing association shall have the exclusive right to such name for a period of five (5) years.

(g) If the association has failed to adopt a plan of voluntary liquidation, the Commissioner may proceed against such association as provided in the article of this Act concerning Involuntary Liquidation. (As amended by act approved July 23, 1965.)

Section 6-12. Conversion from State to Federal Association.) Any association operating under this Act may become a Federal association pursuant to the laws and regulations of the United States and in accordance with the following procedure:

(a) The board of directors shall approve a plan of conversion by resolution adopted by majority vote of all of the directors. The plan shall set forth, among other terms:

(1) A financial statement of the association as of the last business day of the month preceding the adoption of the plan;

(2) The disposition of withdrawable capital and permanent reserve capital, if any;

(3) Adjustments, if any, in the value of the withdrawable accounts when exchanged for comparable accounts in the Federal association;

(4) The disposition of any segregated surplus established under the provisions of the section of this Act concerning Permanent Reserve Shares—Rights of Existing Shareholders;

(5) The disposition of any obligations, or liabilities.

Such plan and resolution shall be submitted to the Commissioner at least 15 days prior to the members' meeting at which action of members is to be taken.

(b) If the plan of conversion provides for (1) no adjustment in the withdrawable capital accounts of members; and (2) all obligations and liabilities to be assumed by the Federal association, then the Commissioner's approval of the plan of conversion shall not be required.

(c) If the plan of conversion adjusts values of any type of capital, or if the association has a segregated surplus, such plan of conversion shall be subject to the approval of the Commissioner. Approval shall be given in such case if the Commissioner finds that the plan is equitable and protects the rights of all persons affected, including such contingent interests as theretofore may have been created in the segregated surplus, if any.

(d) After receipt of such approval from the Commissioner, if required, the plan of conversion may be submitted at an annual or special meeting of the members. The plan will be adopted upon receiving, in the affirmative two-thirds or more of the total number of votes which all members of the association are entitled to cast. A report of proceedings at such

meeting, certified by the president or a vice-president and attested by the secretary, shall be filed promptly with the Commissioner.

(e) Within 90 days after the date of such meeting, the association shall take the action prescribed and authorized by the laws and regulations of the United States to complete its conversion to a Federal association.

(f) Upon receipt of a Federal charter, the association shall file promptly with the Commissioner either a copy of said charter or a certificate of the appropriate Federal officers setting forth the facts concerning the issuance of such charter; and upon recording said charter in the same manner as the association's articles of incorporation, the association shall cease to be an association operating under this Act. (As amended by act approved July 23, 1965.)

Section 6-13. Conversion from Federal to State Association.) Any Federal association may become an association operating under this Act, pursuant to the laws and regulations of the United States and in accordance with the following procedure:

(a) The board of directors shall adopt a plan of conversion, which shall set forth, among other terms, the provisions required in subsection (a) of the preceding section of this Act. Such plan and resolution shall be submitted to the Commissioner.

(b) If the Commissioner, after appropriate examination, shall find that the association complies sufficiently with the requirements of this Act to entitle it to become an association operating under this Act, he shall approve the plan of conversion. However, he may prescribe terms and conditions, to be fulfilled either prior to or after the conversion, to cause the association to conform with the requirements of this Act.

(c) After receipt of the Commissioner's approval, the plan of conversion may be submitted at an annual or special meeting of the members; and the plan will be adopted upon receiving, in the affirmative two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast. Thereupon, such action shall be taken to adopt articles of incorporation, to elect directors, to adopt by-laws, and to elect officers, as is prescribed for a new association in the article of this Act concerning Incorporation and Organization. A report of proceedings at such meeting, certified by the president or a vice-president and attested by the secretary, shall be filed promptly with the Commissioner.

(d) If the Commissioner finds that such proceedings have been in accordance with the provisions of this Section, he shall issue a certificate of conversion, setting forth the articles of incorporation and attaching, as a part of the certificate, a copy of the report of proceedings filed as aforesaid.

(e) The conversion shall become effective upon the recording of the certificate of conversion in the manner required by this Act for the recording of articles of incorporation. (As amended by act approved July 23, 1965.)

Section 6-14. Effect of Conversion.) When an association effects a conversion in accordance with either of the two preceding sections, the corporate existence of such association shall not be interrupted; but the identity of the association shall continue, together with all of the obligations and liabilities of the association; and all of its rights, franchises, and interests in and to every kind of property, real, personal or mixed, shall continue without the necessity of a deed or other transfer. Any reference to the association before conversion, contained in any writing, whether executed or effective before or after the conversion, shall be deemed a reference also to the association after conversion, if not inconsistent with the other provisions of such writing. No pending action or other judicial proceeding to which the association is a party shall be abated or discontinued by reason of such conversion, but the same may be prosecuted to final judgment, order, or decree in the same manner as if such conversion had not occurred.

ARTICLE 7—Supervision.

Section 7-1. Office of the Savings and Loan Commissioner.) There is created an agency of the State which shall be known as the Office of the Commissioner of Savings and Loan Associations and which shall have an officer of the State at its head who shall be known as the Commissioner of Savings and Loan Associations. The Commissioner shall maintain an office in Springfield, in rooms provided by the Secretary of State and may in his discretion and with the approval of the Governor, establish and maintain, at places other than the seat of government, additional offices for the conduct of any one or more of the functions of his office. (As amended by act approved July 23, 1965.)

Section 7-1.1. Appointment.) The Commissioner shall be a person with knowledge of savings and loan theory and practice. He shall be appointed by the Governor, by and with the advice and consent of the Senate. In case of vacancies in such office during the recess of the Senate, the Governor shall make a temporary appointment until the next meeting of the Senate, when he shall nominate some person to fill such office; and any person so nominated, who is confirmed by the Senate, shall hold his office during the remainder of the term and until his successor shall be appointed and qualified. If the Senate is not in session at the time of this Act, or any amendments thereto, take effect, the Governor shall make a temporary appointment as in the case of a vacancy. The term of office of the Commissioner shall begin on July 1, 1965, or the effective date of the amendment to this Act and shall expire on July 1, 1970. Each subsequent term of a Commissioner shall be for 5 years expiring in each case on July 1. The Commissioner shall receive an annual salary of \$22,200 payable monthly and shall be reimbursed for the actual and necessary expenses in carrying out the duties of his office. (As amended by act approved July 23, 1965.)

Section 7-1.2. Transfer of Personnel, Records, Files, Actions, and Duties, etc.)

(a) The employees for whom the Supervisor of Savings and Loan Associations is responsible in the Department of Financial Institutions on the effective date of the enactment of the amendments to this Section shall be transferred to the Office of the Savings and Loan Commissioner in the same position, status, and pay grades including, without limitation, the continuance of any vacation pay, sick leave, pensions, or other benefits to which they would otherwise be entitled. Thereafter, the Commissioner shall appoint subject to applicable provisions of the Personnel Code a supervisor, such examiners, employees, experts and special assistants as may be necessary to carry out effectively the provisions of this Act.

(b) All books, records, files, equipment, correspondence, documents or other papers and pending business or matters in any way pertaining to the rights, powers and duties of the Director of Financial Institutions in the administration of the Savings and Loan Act presently assigned to the Savings and Loan Division, shall be delivered and transferred to the Office of the Savings and Loan Commissioner. Such transfer shall not affect any act done, ratified, or confirmed, or any right accrued or established, or affect or abate any action or proceeding had or commenced in a civil or criminal cause before this Act takes effect; but such actions or proceedings may be prosecuted and continued by the Commissioner or Board as the case may be.

(c) The Commissioner shall have the following duties and powers:

(1) To exercise the rights, powers and duties set forth in this Act or in any other related Act.

(2) To establish such regulations as may be reasonable or necessary to accomplish the purposes and provisions of this Act.

(3) Direct and supervise all the administrative and technical activities of this office, and create an Advisory Committee which upon request will make recommendations to him.

(4) Make an annual report regarding the work of his office as he may consider desirable to the Governor, or as the Governor may request.

(5) To cause a suit to be filed in his name to enforce any law of this State that applies to an association operating under this Act and shall include the enforcement of any obligation of the officers, directors or employees of any association. (As amended by act approved September 19, 1969.)

Section 7-1.3. Prohibited Activity.) Neither the Commissioner, nor any supervisor, nor any examiner shall be an officer, director, owner, or permanent reserve shareholder in any savings and loan association incorporated under this Act, either directly or indirectly; however, ownership of withdrawable capital accounts or shares in savings and loan associations shall not be deemed to be prevented hereby. If the

Commissioner or any supervisor, or examiner, shall be a permanent reserve shareholder in any savings and loan association incorporated under this Act, either directly or indirectly, at the time of his appointment, he shall dispose of his shares of stock or other evidences of ownership or property within one hundred twenty (120) days from the date of his appointment. It shall be unlawful for the Commissioner, any supervisor or examiner to obtain any loan other than a loan secured by withdrawable capital or shares, or accept any gratuity from any savings and loan association incorporated under this Act. If any other employee of the Commissioner borrows from or becomes indebted in an aggregate amount of \$2,500.00 or more to any savings and loan association incorporated under this Act, he shall make a written report to the Commissioner stating the date and amount of such loan or indebtedness, the security therefor, if any, and the purpose or purposes for which proceeds have been or are to be used. (As amended by act approved July 23, 1965.)

Section 7-2. Examination.)

(a) The Commissioner, at least once in each year, without previous notice, shall cause an examination to be made of the affairs of every association. Such examination shall be made by competent examiners appointed for that purpose, who are not officers or agents of, or in any manner interested in, any association which they examine, except that they may be holders of withdrawable capital.

(b) The officers, agents, or directors of any such association shall cause the books of the association to be opened for inspection by the Commissioner or his examiners and otherwise assist in such examination when requested; and for the purpose of examination, the examiner in charge thereof shall have power to administer oaths and to examine under oath any officers, employees, agents, or directors of such association and such other witnesses as he deems necessary relative to the business of the association.

(c) The Commissioner shall make a report of each examination to the board of directors of the association examined, and if the affairs of the association are not being conducted in accordance with this Act, he may require the directors, officers, or employees to take any necessary corrective action. If the necessary corrective action is not made the Commissioner may issue a formal order to the directors of the association delivered either personally or by registered or certified mail, specifying a date which may be immediate or may be at a later date for the performance by the association of the corrective action. Such order or any part thereof shall be subject to the provisions of the sections of this Act relating to hearings and appeals from decisions, orders, or actions of the Commissioner. If the formal order of the Commissioner in whole or in part contains a finding that the violation thereof or the continuance by the association of the practice to be corrected could cause insolvency or substantial dissipation of assets or earnings or the impairment of its capital, such order or part thereof shall be complied with promptly on and after the effective date thereof

until modified or withdrawn by the Commissioner, the Board, or modified or terminated by a court of proper jurisdiction. The Commissioner may apply to the circuit court of the county in which the association is located for enforcement of any such order requiring prompt compliance. If no hearing has been requested within the time specified by this Act, the Commissioner may at any time within 90 days after the effective date of the order institute suit in the Circuit Court of Sangamon County or the circuit court of the county in which the association is located to compel the directors, officers or employees to make the required corrective action. Such court shall have power and shall, after due process of law, adjudicate the question and enter the proper order or orders and enforce the same. In the interests of the members of the association, the Commissioner may prepare a statement of the condition of the association, and may mail the same to the members or may require a single publication thereof. (As amended by act approved July 23, 1965.)

Section 7-3. Audit by Public Accountant.) The Commissioner may require a licensed public accountant to audit the books of an association at least once in each year, without previous notice; and the Commissioner may prescribe the scope of such audit within generally accepted auditing principles. Copies of all audit reports and supplements thereto shall be filed promptly with the Commissioner. (As amended by act approved September 19, 1969.)

Section 7-4. Reports to Commissioner and Members—; Penalty.)

(a) Every association operating under this Act shall file with the Commissioner within sixty (60) days following the close of each fiscal year of such association, a statement showing its financial condition at the close of the fiscal year and its operations for the year then ended. Each such statement shall be on forms prescribed by the Commissioner and in conformity with generally accepted accounting principles, and shall be verified by the secretary and certified by (1) a committee of three or more members who are not officers of the association; or (2) a licensed public accountant appointed by the board of directors; or (3) two officers of the association, if a licensed public accountant has been appointed to audit the books and records of the association as provided in the preceding section of this Act.

(b) An association shall file with the Commissioner a report of change of ownership of permanent reserve shares when such change of ownership results in any person as defined by this Act holding 10% or more through any one transaction or related series of transactions, of the outstanding permanent reserves shares of the association. Such report shall include owners who hold as beneficiaries or through nominees as well as in their own names. The report shall be made within 5 business days after knowledge of such change has been obtained by the officer authorized or required to make reports to the Commissioner. The Commissioner

also may require any such person owning 10% or more of permanent reserve shares to report the beneficiary or beneficiaries for whom he is holding title.

Whenever there is a change in the managing officer of an association or a change amounting to a majority of the directors of an association elected at a regular or special meeting of the members, such change shall likewise be reported within 5 business days to the Commissioner.

The willful failure by any person required to report or disclose change of ownership or control as defined in this subsection shall constitute a felony and, upon conviction, such person shall be imprisoned for a term of not less than one year nor more than 5 years.

Every association shall file also such other reports as the Commissioner may require from time to time.

(c) Within sixty (60) days after the date of such statement, the association either shall mail to each member the annual statement of condition, or a condensed form thereof approved by the Commissioner, or shall publish the same at least once. (As amended by act approved July 23, 1965.)

Section 7-5. Commissioner's Report to the Governor.) The Commissioner shall prepare and transmit to the Governor of this State a condensed annual report of the financial condition of all associations operating under this Act, and may cause a copy of such report to be printed and circulated. (As amended by act approved July 23, 1965.)

Section 7-6. Information to Federal Authorities.) The Commissioner may give copies of reports of his examinations of an association, and copies of the association's reports to him, and any other information which he has concerning the association, to the Federal Home Loan Bank (or its successor instrumentality) of which the association is a member, or to the Insurance Corporation which has insured the association's capital; but no such action by the Commissioner shall relieve the association from compliance with any requirements of such Federal institution concerning examinations or reports, or limit the Commissioner's powers to examine or to require reports from the association. (As amended by act approved July 23, 1965.)

Section 7-7. Procedure Upon the Impairment of Permanent Reserve Capital.) If the Commissioner finds, from a report or examination of an association, that the permanent reserve capital is impaired, he shall direct whichever of the following procedures is appropriate:

(a) The board of directors either (1) shall require the permanent reserve shareholders to contribute an amount at least sufficient to eliminate the impairment; or (2) shall reduce the par value of the permanent reserve capital in at least the amount of the impairment and allocate such reduction to undivided profits or reserves to absorb the loss which created the impairment.

(b) If such impairment causes the book value of the permanent reserve capital to be less than the amount of minimum initial permanent reserve capital which the association, if it were being newly authorized to issue such capital, would be required to issue under the provisions of the section of this Act concerning Permanent Reserve Shares—Authorization of Issuance; Minimum Amount, then the board of directors shall require the permanent reserve shareholders to contribute the amount necessary to make up the difference. If any permanent reserve shareholder, within 30 days after notice to contribute has been mailed to him, shall neglect or refuse to pay his proportionate contribution, the board of directors shall cause a sufficient amount of such holder's permanent reserve shares to be sold at public auction. Not less than 20 days before the date of such sale, notice thereof shall be posted in the business office of the association, and shall be published. Any proceeds of such sale in excess of such proportionate contribution shall be returned to the shareholder. (As amended by act approved July 23, 1965.)

Section 7-8. Commissioner's Authority to Take Custody.) The Commissioner in his discretion may take custody of the books, records and assets of every kind and character of any association, trust, or association in liquidation, for any of the purposes hereinafter enumerated, if it appears from reports made to the Commissioner, or from examination made by or on behalf of the Commissioner:

(a) That the directors, officers, trustees, or liquidators have neglected, failed or refused to take any action which the Commissioner may deem necessary for the protection of the association or trust, or have impeded or obstructed an examination; or

(b) That the withdrawable capital of the association is impaired to the extent that the realizable value of its assets is insufficient to pay in full its creditors and holders of its withdrawable capital; or that its permanent reserve capital is impaired; or

(c) That the association is unable to continue operation; or

(d) That the business of the association, trust, or association in liquidation is being conducted in a fraudulent, illegal, or unsafe manner; or

(e) That the officers, employees, trustees, or liquidators have continued to assume duties or perform acts without giving bond as required by the provisions of this Act.

Unless the Commissioner finds that an emergency exists which may result in loss to members or creditors and requires that he take custody immediately, he first shall give written notice to the directors, trustees, or liquidators specifying the conditions criticized and state a reasonable time within which correction may be made. (As amended by act approved July 23, 1965.)

Section 7-9. Purposes of Taking Custody.) The purposes of taking such custody of an association or trust may be examination; further examination;

conserving of its assets; restoration of impaired capital; the making of any necessary or equitable adjustment deemed necessary by the Commissioner under any plan of reorganization; or liquidation; or the maturing of the obligation of the Insurance Corporation. (As amended by act approved July 23, 1965.)

Section 7-10. Commissioner's Powers During Custody.) During the period in which the Commissioner has such custody, the Commissioner and any of his duly authorized agents shall have all powers necessary to accomplish the purposes of custody, including (but not limited to) the powers, privileges and authority previously vested in the officers, directors, liquidators or trustees; and shall also include the power to call meetings of the members, former officers and directors, liquidators or trustees to consider and act upon matters deemed by the Commissioner to be of sufficient importance to consider the views of such persons. (As amended by act approved September 19, 1969.)

Section 7-11. Custody of Insured Associations.) If an association of which the Commissioner takes custody under authority of this Article is an insured association, the Commissioner, in addition to powers conferred above, is authorized to:

(a) Forthwith notify the Insurance Corporation of such custody, his reasons therefor, and as soon as practicable, furnish the Insurance Corporation with a copy of the Commissioner's report of examination and condition of the association.

(b) Permit the Insurance Corporation to submit any plan or proposal for the reorganization, merger, or liquidation of the association which it may deem feasible.

(c) Determine and declare the association to be in default, and to find from his examination and report the amount of the members' insured withdrawable capital, and to make any necessary orders, findings and determinations which may be required for the purpose of making the insurance available to the members. (As amended by act approved July 23, 1965.)

Section 7-12. Notice of Custody; Action to Enjoin.) Immediately upon taking custody of an association or trust, the Commissioner shall mail a written notice thereof to the president or secretary and not less than 2 directors of such association, or to 2 or more of the trustees of any trust, or 2 or more of the liquidators of an association in liquidation. If the contention is made that the Commissioner has no legal grounds for taking custody of the association or trust, the directors or officers of the association or the trustees or liquidators thereof, as the case may be, at any time within 10 days after the mailing of such notice, or within such further periods of time as the Commissioner may extend, but not to exceed an additional 60 days, may file a complaint in the Circuit Court of Sangamon County, Illinois or in the circuit or superior court of the county in which the association is located, to enjoin further custody. The court thereupon shall cite the Commis-

sioner to show cause why further custody should not be enjoined. If upon a hearing thereon, the court finds that such grounds did not or do not then exist, it may enter an appropriate order in accordance with the findings of fact, or an order enjoining the Commissioner or any appointees acting under his direction from further custody. (As amended by act approved July 23, 1965.)

Section 7-13. Segregation of Collections During Custody.) All payments received on withdrawable capital on members' unpledged shares or accounts during custody of the association by the Commissioner shall be segregated in a separate account until the association shall be redelivered to the directors or to trustees or liquidators or delivered to a receiver. Any member whose payments have been so segregated may request the return of such payments, and the Commissioner shall repay the same without interest or dividends. Before delivery of the association or its assets to any liquidators or to a receiver, the Commissioner shall return the money so collected from members and so segregated. (As amended by act approved July 23, 1965.)

Section 7-14. Redelivery of Possession.) If after examination of the association and consideration of all conditions affecting its affairs, the Commissioner finds that the cause or causes for taking custody have been removed, he shall relinquish custody of the association and redeliver the same and all assets, books and records thereof to the directors of the association or to the trustees or liquidators qualified to accept the same. (As amended by act approved July 23, 1965.)

Section 7-15. Limitations Upon Custody.) The custody of an association by the Commissioner may be continued for a reasonable period not to exceed six (6) months, unless further extension shall be agreed upon by a vote of two-thirds ($\frac{2}{3}$) of the directors of the association or upon application for such extension and by order entered in a court of competent jurisdiction. (As amended by act approved July 23, 1965.)

Section 7-16. Expenses and Fees.)

(a) The reasonable expense of any examination, audit, or investigation or custody by the Commissioner under any provision of this Act, shall be borne by the association or trust.

(b) Except as to fees which are fixed by this Act, the Commissioner by regulation may prescribe reasonable fees for filing reports and other documents, furnishing transcripts, holding hearings, applications for permits to organize and investigations thereof, and for the taking of any other action for which he incurs expense. (As amended by act approved September 19, 1969.)

Section 7-17. Savings and Loan Board—Appointment.) The Savings and Loan Board shall be composed of seven (7) persons who shall be appointed by the Governor. Four of such persons shall be actively engaged in commerce, agriculture or some industrial pursuit in this State other than banking

or financing. Three of such persons shall have been engaged actively in savings and loan management in this State for at least five (5) years immediately prior to appointment. Each member of the Board shall receive a compensation of \$50 per day for each day actually and necessarily consumed in the performance of the duties of his office and in addition thereto shall be paid the necessary expenses in the performance thereof. Initially four of such persons shall be appointed to serve until the third Monday in January 1967 and three of such persons shall be appointed to serve until the third Monday in January 1969. As terms of appointment expire, successors shall be appointed for terms to expire the third Monday in January four years thereafter. All members of the Board shall serve until their respective successors are appointed and qualified. The Governor shall fill any vacancy by the appointment of a member for the unexpired term of such member in the same manner as in the making of original appointments. (As amended by act approved July 23, 1965.)

Section 7-18. Savings and Loan Board—Organization and Meetings.) The Board shall elect a chairman, vice-chairman, and secretary; shall adopt regulations for the holding and conducting of meetings and for holding hearings concerning all matters within its powers; and shall keep a record of all meetings and transactions, and make such other provisions for the daily conduct of its business as it deems necessary. A majority of the members of the Board shall constitute a quorum. The act of the majority of the members of the Board present at a meeting at which a quorum is present shall be the act of the Board. Regular meetings shall be held as provided in the regulations, and special meetings may be called by the Chairman or upon the request of any three (3) members of the Board or the Commissioner. The Board shall maintain at the office of the Commissioner permanent records of its meetings, hearings, and decisions. The Commissioner shall provide adequate quarters and personnel for use by the Board. (As amended by act approved July 23, 1965.)

Section 7-19. Savings and Loan Board—Powers.) The Board shall have the following powers:

(a) To consider, hold public or private hearings, and act upon appeals from any order, decision, or action of the Commissioner by any aggrieved person except as otherwise specifically provided in this Act.

(b) To advise the Governor and the Commissioner upon appointments and employment of personnel in connection with the supervision of savings and loan associations.

(c) To advise the Governor on legislation proposed to amend the Savings and Loan Act or any related Act. (As amended by act approved July 23, 1965.)

Section 7-20. Proceedings on Objections to Commissioner's Action.) Except as otherwise specifically provided by this Act, any person who deems himself aggrieved by any decision, order, or action of the

Commissioner may receive a hearing as provided in Sections 7-21 through 7-24 of this Act. (As amended by act approved July 23, 1965.)

Section 7-21. The Board shall upon the verified complaint in writing of any person setting forth facts which if proved would constitute grounds for reversal or change of any decision, order or action of the Commissioner grant a hearing thereon. If the aggrieved party desires such a hearing, he shall, within 10 days of receipt of notice of such decision, order or action, file written notice with the Board of intent to demand a hearing and shall, within 30 days of receipt of notice of such decision, order or action, file his verified complaint in writing. The date of such hearing shall not be earlier than 15 days nor later than 30 days after the date of receipt of verified complaint in writing. The Board shall, at least 10 days prior to the date set for the hearing, notify in writing the person adversely affected by such decision, order or action, hereinafter called the respondent and all other parties to the action, that a hearing will be held on the date designated and shall afford the respondent and all other parties to the action an opportunity to be heard in person or by counsel in reference thereto. Such written notice may be served by delivery of the same personally to the respondent and all other parties to the action, or by mailing the same by registered or certified mail to the place of business last theretofore specified by the respondent and all other parties to the action in the last notification to the Board. At the time and place fixed in the notice, the Board or its authorized agent, hereafter referred to as the hearing officer, shall proceed to hear the charges and both the respondent and all other parties to the action and the complainant shall be accorded ample opportunity to present in person or by counsel such statements, testimony, evidence and argument as may be pertinent to the issues. The hearing officer may continue such hearing from time to time.

The hearing officer is authorized to subpoena any person in this State and to take testimony either orally or by deposition or by exhibit, with the same fees and mileage and in the same manner as prescribed by law in judicial procedure in civil cases in circuit courts of this State.

The hearing officer may administer oaths to witnesses at any hearing which the hearing officer is authorized by law to conduct.

After the hearing, the Board shall make a determination approving, modifying, or disapproving the decision, order, or action of the Commissioner as its final administrative decision. (As amended by act approved July 23, 1965.)

Section 7-22. The Board, at its expense, unless otherwise provided in this Act, shall provide a stenographer to take down the testimony and preserve a record of all proceedings at the hearing. The notice of hearing, complaint and all other documents in the nature of pleadings and written motions filed in the proceedings, the transcript of testimony, the report of the hearing officer and orders of the Board shall be the record of such proceedings. The Board shall

furnish a transcript of such record to any person interested in such hearing upon payment of the actual cost thereof.

A copy of the hearing officer's report and the Board's orders shall be served upon the respondent and all other parties to the action by the Board, either personally or by registered or certified mail as provided in this Act for the service of the notice of hearing. (As amended by act approved July 23, 1965.)

Section 7-23. All subpoenas issued under the laws of this State pertaining to Savings and Loan Associations may be served by any person who is not a minor. The fees of witnesses for attendance and travel shall be the same as fees of witnesses before the Circuit Courts of this State, such fees to be paid at the time the witness is excused from further attendance, when the witness is subpoenaed at the instance of the Board or the Commissioner or any officer or any employee designated by him or it for the purpose of conducting any such investigation, inquiry or hearing; and the disbursements made in the payment of such fees shall be audited and paid in the same manner as are other expenses of the Savings and Loan Board or Commissioner. Whenever a subpoena is issued at the instance of a complainant, respondent or other party to any proceeding the Board may require that the cost of service thereof and the fee of the same shall be borne by the party at whose instance the witness is summoned, and the Board or Commissioner shall have power, in his or its discretion, to require a deposit to cover the cost of such service and witness fees and the payment of legal witness fees and mileage to the witness when served with subpoena. A subpoena issued as aforesaid shall be served in the same manner as a subpoena issued out of a court of record.

Any person who shall be served with a subpoena to appear and testify, or to produce books, papers, accounts or documents, either in person or by deposition, in the manner provided in this Section, issued by the Board or Commissioner or by any officer, or any employee designated by him or it to conduct any such investigation, inquiry, or hearing, in the course of an investigation, inquiry or hearing conducted under any of the provisions of the laws of this State pertaining to Savings and Loan Associations, and who shall refuse or neglect to appear, or to testify, or to produce books, papers, accounts and documents relative to said investigation, inquiry or hearing as commanded in such subpoena, shall be guilty of a misdemeanor, and upon conviction thereof, shall be punishable by a fine of not more than \$200.00.

Any circuit court of this State, or any judge thereof, either in term time or in vacation, upon application of the Board or Commissioner, or an officer, or an employee designated by him or it for the purpose of conducting any such investigation, inquiry or hearing, may, in his discretion, compel the attendance of witnesses, the production of books, papers, accounts and documents, and the giving of testimony before the Savings and Loan Board or Commissioner, or before any officer thereof, or any

employee designated by him or it for the purpose of conducting any such investigation, inquiry or hearing, in person or by deposition, in the manner provided in this Section, by an attachment for contempt or otherwise, in the same manner as production of evidence may be compelled before said court.

The Board or Commissioner or any officer, or any employee designated by him or it for the purpose of conducting any investigation, inquiry or hearing, or any party may, in any investigation, inquiry or hearing, cause the deposition of witnesses residing within or without the State to be taken in the manner prescribed by law for taking like depositions in civil cases in courts of this State, and to that end may compel the attendance of witnesses and the production of papers, books, accounts and documents. (As amended by act approved September 22, 1969.)

Section 7-24. The Commissioner or any person affected by a final administrative decision of the Board pursuant to the provisions of this Act may have such decisions reviewed only under and in accordance with the "Administrative Review Act", approved May 8, 1945, if such person files within 10 days of receipt of service of a copy of the final decision sought to be reviewed a written notice with the Board of intent to seek review under said Administrative Review Act. The provisions of the "Administrative Review Act", and all amendments and modifications thereof, and the rules adopted pursuant thereto, shall apply to and govern all proceedings for the judicial review of final administrative decisions of the Board hereunder. The term "administrative decision" is defined as in Section 1 of said "Administrative Review Act".

Appeals from all final orders and judgments entered by court in review of any final administrative decision of the Board hereunder may be taken directly to the Supreme Court in accordance with the provisions of the "Civil Practice Act" relating to appeals, and all existing and future amendments and modifications thereof and the rules adopted thereto. (As amended by act approved July 23, 1965.)

ARTICLE 8—Reorganization.

Section 8-1. Authority to Reorganize.) An association may reorganize under the provisions of this Article, by adjusting its capital without prejudicing or impairing the rights of any of its creditors; but an adjustment of capital which involves or is part of a proceeding to effect a merger, conversion, sale of all assets, or retirement or reduction of permanent reserve capital, shall be accomplished under the provisions of this Act relating to such other proceedings. (As amended by act approved July 11, 1957.)

Section 8-2. Decision as to Reorganization; Adoption of Plan.)

(a) At any annual or special meeting of the members, the members may vote to reorganize the association, and may adopt a plan of reorganization which has been approved by the board of directors, or proposed by one or more shareholders, or sub-

mitted by the Commissioner; or may elect a committee of three (3) persons to prepare and submit a plan, and thereafter may adopt such plan. However, no plan except one submitted by the Commissioner shall be adopted unless it has been filed with the Commissioner at least five (5) days before the vote of the members is taken thereon.

(b) A plan will be adopted upon receiving in the affirmative two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast. (As amended by act approved July 23, 1965.)

Section 8-3. Plan of Reorganization.) The plan of reorganization shall set forth:

(a) A statement of the financial condition of the association duly certified by a licensed public accountant, or verified in such manner as may be required by the Commissioner.

(b) The proposed adjustment of capital.

(c) Any proposed segregation of assets into a segregated trust, and provision for disposition of such trust.

(d) Any amendment to the articles of incorporation which shall be submitted to the Commissioner for approval and shall be effective as provided in the article of this Act concerning Corporate Changes.

(e) Provision for safeguarding the rights of creditors. (As amended by act approved July 23, 1965.)

Section 8-4. Election of New Directors; Report and Supervision.)

(a) Upon the adoption of the plan of reorganization, the offices of all directors and officers of the association shall be vacant, and the members shall proceed to elect directors to fill the vacancies. If the plan provides for the segregation of assets under a trust agreement, the members also shall elect (with cumulative voting permitted as in elections of directors) three or more trustees to manage such assets.

(b) A report of proceedings at the meetings of the members, certified by the president or a vice-president and attested by the secretary, setting forth the notice given and time of mailing thereof, the vote on the plan of reorganization, and the total number of votes which all members of the association were entitled to cast thereon, shall be filed in duplicate with the Commissioner, together with the plan of reorganization. The Commissioner thereupon shall issue to the association, and to the trustees if assets have been segregated as a part of the plan, a certificate of reorganization, and a certificate of amendment of the articles of incorporation if appropriate.

(c) The reorganization shall become effective upon the recording of the certificate of reorganization and the certificate of amendment of articles of incorporation, if any, in the manner required by this Act for the recording of articles of incorporation. (As amended by act approved July 23, 1965.)

Section 8-5. Trust Agreement and Procedure.)

(a) The segregated assets shall be disposed of in accordance with the terms of a trust agreement adopted by the board of directors and executed in triplicate by the appropriate officers of the association and the trustees.

(b) The trust agreement shall contain provisions for the full liquidation of the trust, (including but not limited to) powers, duties, and manner of succession of trustees, and other provisions similar to those set forth with respect to liquidators in the section of this Act concerning Plan of Voluntary Liquidation. In addition thereto, the reorganized association shall furnish to the trustees a list of all shareholders whose shares are affected by such segregation of assets, giving their last known addresses and the book value of shares held and the reduction of such values upon reorganization and segregation of assets, so that the trustees may ascertain the relative interest of each shareholder in the trust so created. Such list shall be prima facie evidence of the share interests of all shareholders and no shareholder shall be entitled to a greater proportionate interest in the trust unless and until the trustees shall have agreed to a correction of the list or shall be ordered to do so by a court of competent jurisdiction.

(c) Three copies of the trust agreement shall be submitted to the Commissioner together with a certified copy of the resolution of the board of directors adopting the agreement, and the bonds of the trustees in such amounts as shall be fixed by the board of directors and as provided by the section of this Act concerning Bonds of Officers and Employees.

(d) If the Commissioner finds that the bonds are sufficient and the trust agreement will protect the beneficiaries of the trust, he shall attach his certificate of approval and forward one approved copy of the trust agreement to the trustees and another to the reorganized association.

(e) The trust shall become effective upon recording of the Commissioner's certificate of approval and the trust agreement in the manner required by this Act for the recording of articles of incorporation; and the association thereupon shall be authorized to transfer the segregated assets to the trustees. (As amended by act approved July 23, 1965.)

Section 8-6. Disposition of Assets by Trustees; Liquidation.) The trust shall be subject at all times to the applicable provisions of the article pertaining to Voluntary Liquidation, and also shall be subject to supervision and examination by the Commissioner. (As amended by act approved July 23, 1965.)

Section 8-7. Acceptance of Certificates of Beneficial Interest and Withdrawable Capital for Part Purchase Price of Assets.)

(a) The trustees may offer to accept the certificates of beneficial interest issued by them, or withdrawable capital of the association, to apply upon the purchase price of any assets, but only for

such relative values as may be approved by the Commissioner from time to time. If such offer is made, notice thereof by single publication or by mailing, stating the offer and the time, place, and terms of the sale, shall be given to all owners of such certificates prior to the sale.

(b) If a purchaser of segregated assets applies to the reorganized association for a loan on such assets, the association, in lieu of cash advancement on such loan, may issue and the trustees may accept at full value withdrawable capital of the reorganized association up to but not exceeding seventy-five per cent (75%) of the purchase price of such assets. Such sale shall not be consummated until the balance of the purchase price shall have been paid in cash to the trustee. (As amended by act approved July 23, 1965.)

ARTICLE 9—Voluntary Liquidation.

Section 9-1. Authority to Liquidate.) An association may liquidate voluntarily in accordance with a plan of voluntary liquidation which has been adopted in the manner provided in this Article.

Section 9-2. Decision as to Liquidation; Adoption of Plan.)

(a) At any annual or special meeting of the members, the members may vote to liquidate the association, and may adopt a plan of liquidation which has been approved by the board of directors, or proposed by one or more shareholders, or submitted by the Commissioner; or may elect a committee of three (3) persons to prepare and submit a plan, and thereafter may adopt such plan. However, no plan except one submitted by the Commissioner shall be adopted unless it has been filed with the Commissioner at least five (5) days before the vote of the members is taken thereon.

(b) A plan will be adopted upon receiving in the affirmative two-thirds ($\frac{2}{3}$) or more of the total number of votes which all members of the association are entitled to cast. (As amended by act approved July 23, 1965.)

Section 9-3. Plan of Voluntary Liquidation.) The plan of voluntary liquidation shall provide for the full liquidation of the association, setting forth the powers, duties, manner of filling vacancies, and succession of the liquidators and authorizing them to:

(a) Advance funds of the association to preserve, protect, or purchase at any sale any asset in which the association has an interest.

(b) Sell, convey, lease, mortgage, or exchange any assets for other assets.

(c) Sell and dispose of any assets at public sale to the highest and best bidder or at private sale for the highest price obtainable.

(d) Accept withdrawable capital of the association to apply upon the purchase price of any assets, but only for such relative values as may be approved by the Commissioner from time to time. Notice by single publication or by mailing, stating

the time, place, and terms of the sale, shall be given to all holders of withdrawable capital prior to the sale.

(e) Pay out of the proceeds of liquidation all expenses and services necessary to the liquidation, and also compensation of the liquidators; but such compensation of the liquidators, exclusive of compensation for legal services and other specialized employment, shall not exceed in the aggregate three (3) per cent of the proceeds of liquidation.

(f) Publish a notice once to claimants and submit a final report of the liquidators to the Commissioner if the plan of voluntary liquidation is adopted after the ratification and approval of an agreement for the sale of all the association's assets and the assumptions of all of the association's liabilities. If the Commissioner approves the final report, the liquidation and dissolution of the liquidated association will be final upon the filing of a certificate of complete liquidation as provided for in this Act. (As amended by act approved September 19, 1969.)

Section 9-4. Election of Liquidators, Report, and Supervision.) Upon adoption of a plan of voluntary liquidation, the members shall proceed to elect (with cumulative voting permitted as in elections of directors) not more than three (3) liquidators, who shall have full power to execute the plan; and the procedure thereafter shall be as follows:

(a) A report of proceedings at the meeting of members, certified by the presiding officer of the meeting and attested by the secretary of the meeting, and setting forth the notice given and time of mailing thereof, the vote on the plan of voluntary liquidation, the total number of votes which all members of the association were entitled to cast thereon, and the names of the liquidators elected, shall be filed in triplicate with the Commissioner, together with the plan.

(b) If the Commissioner finds that the plan and proceedings are in accordance with this Act, that the bonds of the liquidators are sufficient, and that the plan is not unfair to any person affected, he shall attach his certificate of approval to the plan and shall forward one copy to the liquidators, and in the case of an insured association, one copy to the Insurance Corporation.

(c) The plan shall become effective upon the recording of the Commissioner's certificate of approval in the manner required by this Act for the recording of articles of incorporation.

(d) The liquidation of the association shall be subject to the supervision and examination of the Commissioner. (As amended by act approved July 23, 1965.)

Section 9-5. Protection and Liquidation of Assets.) The liquidators are authorized to advance funds of the association and to take such other action as is advisable to preserve, protect, or purchase at any sale any real estate or other asset upon which the association may hold any lien or incumbrance or in which it may have an interest. The liquidators may sell, convey, lease, mortgage or exchange any

assets so purchased or other assets; and in furtherance of the liquidation of the association, may sell and dispose of any of its assets at public sale to the highest and best bidder; or may sell any such assets at private sale for the highest price obtainable. No purchaser shall be required to ascertain the application of the purchase price.

Section 9-6. Notice to File Claims.) The liquidators shall fix a time for all persons having claims against the association, other than as members thereof, to present such claims, and shall cause notice to be published, requiring all persons to present the claims on or before such date, and within five (5) days after the first publication shall mail a copy of such notice to each person whose name appears on the association's records as having a claim. Each claim shall be in writing and verified by the claimant or a duly authorized agent. A claim may be presented at any time on or before the date fixed in the published notice, but any claim not so presented shall be barred. Upon the disallowance of any claim, the liquidators immediately shall notify the claimant of such fact, and the claimant may institute suit to establish such claim at any time before the final distribution.

Section 9-7. Claims of Members.) Whether a member files or does not file a claim with respect to an interest which he has as such member, the liquidators shall determine from the records of the association the amount of such member's claim. Any such member may examine the association's records pertaining to his own claim. The records of the association shall be prima facie evidence of each such claim or interest, and no member shall be entitled to a greater claim or proportionate interest in the association unless and until the liquidators shall have agreed to a correction of the records pertaining to such claim or interest, or shall be ordered to correct such records by a court of competent jurisdiction. The liquidators shall require all members to present their certificates or account books, if any, for verification and endorsement upon payment of any liquidating dividend or distribution; and upon final distribution, such certificates or account books, if any, shall be surrendered to the liquidators.

Section 9-8. Payments and Distribution.) Claims having a preference in law shall be given preference in payment; except that no payment of less than ten dollars (\$10.00) need be made until final distribution. No distribution shall be made on claims for withdrawable capital until such preferred claims have been paid or provided for in full, or during the pendency of any suit unless sufficient funds are segregated to pay any judgment which may be rendered in such suit. Ratable payments and distributions on withdrawable capital may be made at any time after the time fixed for the presentment and allowance of claims has elapsed. Holders of permanent reserve capital, if any, shall participate in the liquidation of the remaining assets after payment or provision for payment has been made in full to all creditors, holders of withdrawable capital, and

any claims which the holders may have in the balance of any segregated reserves. Final distribution shall be made in accordance with the next succeeding section of this Article. (As amended by act approved July 11, 1957.)

Section 9-9. Final Distribution and Dissolution by Commissioner.) When all assets have been liquidated and all claims and expenses have been paid, dissolution of the association shall be accomplished in the following manner:

(a) The liquidators shall file with the Commissioner the duly verified final report of their acts and proposed final distribution.

(b) Upon the Commissioner's approval of the final report, the liquidators shall publish notice of the proposed distribution, and shall allow any shareholder to examine the records of the association to ascertain his proper share of such distribution. Any shareholder who fails to commence, before the date fixed for final distribution, appropriate judicial proceedings to contest such distribution, shall be barred from contesting the same thereafter. The liquidators shall proceed to make final distribution on the date fixed therefor, except that such distribution shall be deferred until final disposition of any pending judicial action affecting the distribution, and payment of any judgment entered therein.

(c) When final distribution has been made, except as to any money due to but unclaimed by any creditor, shareholder, or other person, the liquidators shall deposit such unclaimed money with the Commissioner, for payment to the person or persons entitled thereto upon application and proof of right as provided by law.

(d) The liquidators also shall deliver to the Commissioner all books of account and other records of the association, for preservation for at least two (2) years and destruction thereafter as provided by law.

(e) Upon completion of the foregoing procedure, the liquidators shall be discharged; the Commissioner shall issue a certificate of dissolution of the association and shall record same in the manner required by this Act for the recording of articles of incorporation; and upon such recording, the dissolution shall be effective. (As amended by act approved July 23, 1965.)

ARTICLE 10—Involuntary Liquidation.

Section 10-1. Commissioner to Appoint Receiver.) If the Commissioner after taking custody of an association under the section of this Act concerning Commissioner's Authority to Take Custody, finds that any one or more of the reasons for taking custody continues to exist through the period of his custody, then he shall appoint any qualified person, firm or corporation as receiver or co-receiver of such association or trust for the purpose of liquidation. In the case of an insured association, he may appoint the Insurance Corporation or its nominee as such receiver or as a co-receiver; and the Insurance Corporation may be permitted to serve without bond. The

receiver shall take possession of and title to the books, records, and assets of every description of the association or trust. (As amended by act approved July 23, 1965.)

Section 10-2. Filing of Complaint by Attorney General.) After so appointing a receiver, the Commissioner shall direct the Attorney General to file a complaint in equity in the name of the Commissioner in the circuit or superior court of the county in which such association or trust is located and against the association or trustees or liquidators, as the case may be, for the orderly liquidation and dissolution of the association or trust and for an injunction restraining the officers, directors, trustees, or liquidators, from continuing the operation of the association or trust. No complaint shall be filed nor shall other proceedings be commenced in any court for the dissolution or winding up of the affairs of the association or trust except in the name of and by authority of the Commissioner represented by the Attorney General. (As amended by act approved July 23, 1965.)

Section 10-3. Receiver's Powers; Court Supervision.) Upon order of the court in which the Commissioner's complaint for dissolution and winding up of the affairs of the association has been filed, the receiver shall have the power and shall be charged with the duties and responsibilities as follows:

(a) To sell and compound all bad or doubtful debts on such terms as the court shall direct;

(b) To sell the real and personal property of the association on such terms as the court shall direct;

(c) To petition the court for authority to borrow money to protect assets or to facilitate liquidation and distribution and to pledge assets as security therefor, which petition shall be heard by the court upon such notice to all parties in interest as the court shall direct, and such loans may be obtained and assets pledged as security therefor upon such terms and conditions as may be deemed expedient and necessary;

(d) To make and carry out agreements with the Insurance Corporation or with any other financial institution for the payment or assumption of the association's liabilities, in whole or in part, and to sell, convey, transfer, pledge or assign assets as security or otherwise, and to make guaranties in connection therewith. (As amended by act approved July 23, 1965.)

Section 10-4. Expenses of Custody and Receivership.) All expenses incurred by reason of the examination, custody, and receivership, including compensation to such receiver, accountants, or clerical assistants, and reasonable solicitors' and attorneys' fees, approved by the Commissioner or the court, shall be paid out of the assets of such association or trust. (As amended by act approved July 23, 1965.)

Section 10-5. Notice to Creditors.) The receiver shall cause notice to be published calling on all persons who may have claims against such associa-

tion or trust to present the same to such receiver and to make legal proof thereof, and the said claims shall be presented to the court, and the allowance or disallowance of such claims by the court in connection with said proceedings shall be deemed an adjudication in a court of competent jurisdiction. After the expiration of the time specified in such publication, the receiver shall file with the Commissioner and with the clerk of the court a correct list of all creditors and all members of the association or beneficiaries of the trust, as shown by the books and records, who have not presented their claims, and the amount of their respective claims, after allowing all just credits, deductions and setoffs as shown by the books and records. Such claims so filed shall be deemed proven, unless objections are filed thereto by any parties interested therein within such time as shall be fixed by the court and such notice of application for adjudication of such claims shall be given as the court may direct. (As amended by act approved July 23, 1965.)

Section 10-6. Distribution by Receiver.) Claims having a preference in law shall be given preference in payment; except that no payment of less than ten dollars (\$10.00) need be made until final distribution. No distribution shall be made on claims for capital until such preferred creditors have been paid or provided for in full, or during the pendency of any suit unless sufficient funds are segregated to pay any judgment which may be rendered in such suit. At any time after the expiration of the published claim date and from time to time, the receiver may make ratable distribution on all such claims as may have been proven to the satisfaction of the receiver, or adjudicated in a court of competent jurisdiction. Final distribution shall be made in accordance with the next succeeding section of this Article.

Section 10-7. Final Distribution and Dissolution by Court.) When all assets have been liquidated and all claims and expenses have been paid except for the final distribution, dissolution of the association shall be accomplished in the following manner:

(a) The receiver shall file with the court the final report of his acts and proposed final distribution.

(b) Upon the court's approval of the final report, the receiver shall give such notice, and thereafter shall make final distribution, in such manner as the court may direct.

(c) When final distribution has been made except as to any unclaimed money, the receiver shall deposit such unclaimed money with the Commissioner and shall deliver to the Commissioner all books of account and other records, in the manner and for the purpose prescribed in the section of this Act concerning Final Distribution and Dissolution by Commissioner.

(d) Upon completion of the foregoing procedure, and upon the petition of the Commissioner (represented by the Attorney General) and the receiver, the court may find that the association or trust should be dissolved; and after such publica-

tion of notice of dissolution as the court may direct, the court may enter a decree of dissolution. (As amended by act approved July 23, 1965.)

ARTICLE 11—Miscellaneous Provisions.

Section 11-1. Reservation of Powers to General Assembly.) The General Assembly shall have power to amend, repeal, or modify this Act, and such amendments or modifications shall be binding upon any and all associations operating under this Act.

Section 11-2. Applicability of Other Acts.) Whenever in any act the terms "savings and loan", "building and loan", "mutual building loan and homestead", "building loan and homestead", or other similar name, are used with reference to associations organized for the purposes of associations incorporated under this Act, such reference shall be applicable to associations operating under this Act; and whenever in any act the terms "members", "shareholders", or "investors" are used in connection with such associations, however named, the same shall refer to members and holders of capital of associations operating under this Act.

Section 11-3. Separability.) If any provision, clause, or phrase of this Act or the application thereof to any person or circumstance, is held invalid, such invalidity shall not affect other provisions or applications of this Act, which can be given effect without the invalid provisions or application, and to this end the provisions of this Act are declared to be separable.

Section 11-4. Repealer.) "An Act in relation to mutual building, loan and homestead associations" filed June 19, 1919, and all acts amendatory thereof, are hereby repealed.

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